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In 2 Sections—Section 1

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Wheeler Urges President To Appeal To People Of Europe

Senator Wheeler (Dem., Mont.) called on President Roosevelt on Sept. 2 to act immediately "to define unconditional surrender and appeal to the people of Europe to abandon the false path of militarism, intolerance and brutality."

Burton K. Wheeler

In a letter to the President, Senator Wheeler expressed the belief that Mr. Roosevelt "can now bring about peace in Europe and establish democracy throughout that war-torn continent."

Mr. Wheeler's letter follows, according to United Press advices from Helena, Mont.:

"Dear Mr. President: As a non-Catholic I want you to know that I am wholeheartedly in accord with the statement of Pope Pius XII that 'the soul of all people is revolting against violence,' and that 'people who have suffered so

(Continued on page 1011)

In This Issue

Special material and items of interest with reference to dealer activities in the States of Illinois & Wisconsin appear in this issue. Illinois, page 1002; Wisconsin, page 1004.

For index see page 1012.

New Frontiers Of Business Development Seen By Schram

Government Must Accord Freedom Needed By Business Would Redesign Tax Structure and Amend Law to Encourage Venture Capital—End of Excess Profits Taxes Urged After War

Stressing the necessity of according competitive enterprise, the freedom necessary for its proper functioning, Emil Schram, President of the New York Stock Exchange, declared at Louisville, Ky., on Sept. 2, that "if government will allow business and enterprise the freedom they need, we can, I believe, look forward to a high national income, to a resumption after the war of a steady improvement in our standard of living, to an era of security and revitalized democracy, to new frontiers of business development and to new markets for the American products of peace and good-will."

Emil Schram

Mr. Schram, whose informal remarks were presented before the Ohio Valley Group of the Investment Bankers' Association, pointed out that "the American people are today taking great pride, as they have a right to do, in the superlative performance of our industrial and business system in producing and delivering the sinews of war." 'Private enterprise," he went on to say, "never before has done such a magnificent job at so small a profit and with less complaint This, it is plain to see, has given our people renewed confidence in our system and has strengthened the faith of those who cherish

(Continued on page 1003)

SEC Death Sentence Activities In Wartime Threaten Private Enterprise

By CHARLES TATHAM, JR.

Despite its claims to the contrary, pressure by the Securities and Exchange Commission for immediate compliance by holding companies with the "death sentence" provisions of the Holding Company Act in the present war emergency is contributing to the nationalization of privately owned electric and gas utilities. Through forcing the disposal by holding companies of operating subsidiaries at a time when taxes assessed by the Federal Government consume over 15% of operating revenues, SEC "death sentence" orders are driving operating electric and gas utilities into ownership by their served communities, which pay no Federal taxes on profits derived from business undertakings. Unless Congress puts a stop to this bureaucratic activity for the duration, socialization of an important field of American enterprise will be well advanced by the time the war is over.

Charles Tatham, Jr.

Although the Holding Company Act received Presidential approval more than eight years ago, its first 4 subsections of Section 11, which comprise the so-called "death sentence," did not become effective until January 1,

(Continued on page 1004)

Post-War Inflation— What To Prepare For

Reprinted by permission of "The Economic Future," a service conducted by Tradeways, Inc., 285 Madison Avenue, New York, N. Y.

Inflation is talked about interminably; but nearly all the current talk relates to price control **during the war**—a question which has little direct bearing on business planning.

As to inflation **after the war** not much is being said—certainly not much that is definite or helpful. Yet few subjects are of greater importance to one who is looking a little distance ahead.

This report breaks new ground. It attempts to measure roughly **the extent** of anticipated price advances and their **timing.** The chief conclusions we reach are:

1. Wholesale prices, on the average, will probably rise **at least 100%** and may go a great deal higher.
2. At war's end inflation will start **quickly** and will rise to a climax **within two or three years.**

In the nature of things such forecasts must be highly tentative. They necessarily start with assumptions which may or may not be realized. Yet even with these reservations they are **better guides for post-war planning,** we believe, than have previously been available.

You may not find the report easily readable; for it rests on an analysis of statistical data. And the subject has **too much practical importance** to be presented without adequate explanation. We feel, however, that most of our subscribers will want to check for themselves the reasoning behind the conclusions, and then form their own judgments.

I. FIRST PRINCIPLES

Everyone agrees that inflation is primarily a monetary phenomenon. Indeed, Professor Kemmerer goes so far as to make the flat statement: "Inflation is too much money and deposit currency—that is, too much currency in relation to the physical volume

(Continued on page 1006)

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The Future Of Interest Rates

With Special Reference To The Treasury's Borrowing Policy

In his article which appeared in the "Chronicle" of Aug. 26, captioned as above, Benjamin M. Anderson, Ph.D., Professor of Economics at the University of California and former economist of the Chase National Bank of the City of New York, presented an extremely profound analysis of the probable future trend of interest rates. The author, who is recognized as a leading international authority on fiscal and monetary matters, discussed this important subject objectively and in light of the fundamental factors which inevitably must govern the movement of interest rates.

Since publication of the article, a large number of comments have been received regarding the views and conclusions drawn by this eminent authority on the subject. Some of the letters were given in these columns on Sept. 2; more are given below and others that cannot be accommodated in this issue will appear in subsequent issues.

ROBERT M. HANES

President, Wachovia Bank and Trust Company, Winston-Salem, N. C.

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Robert M. Hanes

I have read with great interest Dr. Anderson's article on "The Future of Interest Rates." It seems to me he is a bit ponderous in arriving at his conclusions. I agree thoroughly with his conclusion that the Treasury should be realistic and pay a reasonable rate for the money it is borrowing. I also agree with his condemnation of the Treasury's procedure in selling demand bonds to the public at low rates of interest. This policy is only storing up trouble for some future Secretary. Certainly we are bound to have higher rates of interest sometime in the future, and then all of these bonds will be cashed in a very short period of time. A much more sensible and realistic policy would be to sell the public long bonds at a reasonable rate now.

I disagree with his statement that banks should be permitted to buy the higher interest bonds at a discount. Well run banks have staggered their maturities pretty evenly over a 10-year period; therefore, in a short period of time, they will be able, as their bond portfolio matures, to invest in bonds with higher yield. With the deposits of banks guaranteed and with a great many of their loans guaranteed, if, in addition, they ask for a discount to protect them on their bond portfolio, we would only play into the hands of those who are already advocating Government banking. I think bankers must, as quickly as possible, abandon all Government guarantees and get back to risk taking, which is their normal function.

W. H. WOOD,

Chairman of Board, American Trust Co., Charlotte, N. C.

Word H. Wood

While I have been working in a bank fifty years continuously last month, I cannot claim, by any means, to be an economist on money matters relating to the entire country or the world. So far in my life, as the head of this bank for a little over 42 years, my policy has been to stay conservative and safe all the time, and we have reason to believe that we will remain that way in the future years.

Fundamentally, Dr. Anderson's thoughts are sound, and I believe like he, that the Federal Government has entirely too much demand obligations outstanding, and the only way I know of that they can convert these demand obligations into long term bonds would be to pay a higher rate of interest to investors. I am doubtful, however, as to the willingness of the Federal Government to do this.

The United States Treasury has

(Continued on page 1010)

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(Special to The Financial Chronicle)

CINCINNATI, Ohio.—Frank E. Hailstone has become affiliated with Fox, Reusch & Co., Dixie Terminal Building. Mr. Hailstone was formerly with Katz & O'Brien in their municipal trading department and prior thereto represented C. F. Childs & Co. in Cincinnati.

Elliott And Nichols With Hill, Richards

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—James G. Elliott and Arthur E. Nichols have become associated with Hill, Richards & Co., 621 South Spring Street, members of the Los Angeles Stock Exchange. Mr. Elliott was previously vice-president and manager of the sales department for Fox, Castera & Co. with which he was associated for a number of years. Mr. Nichols was with Blyth & Co., Inc.

"Bondistics"

Security Adjustment Corporation, 16 Court Street, Brooklyn, N. Y., have prepared an attractive booklet on "Bondistics," which they define as the branch of financial science dealing with the bonded indebtedness of corporations with regard to such bond values as they apply to the individual investor's problems as to safety of principal and income and profit. Contained in the booklet are interesting analyses of several situations.

Copies of this booklet may be obtained from Security Adjustment Corporation.

Attractive Situations With Peace Prospects

Farnsworth Television and Crowell-Collier offer attractive situations with interesting prospects for peace time, according to circulars prepared by J. F. Reilly & Co., 111 Broadway, New York City. Copies may be had from J. F. Reilly & Co. on written request.

Now Kline, Lynch & Co.

(Special to The Financial Chronicle)

CINCINNATI, Ohio. — As of September 1st the firm name of P. E. Kline, Inc., Carew Tower, was changed to Kline, Lynch & Co., Inc. Officers of the firm are Percy E. Kline, president and Francis James Lynch, vice-president.

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Two With Gordon Graves

(Special to The Financial Chronicle)

CORAL GABLES, Fla.—Herbert N. Crowder and Mrs. Frances S. Huey have become affiliated with Gordon Graves & Co., 204 Alhambra Circle. Mr. Crowder was previously in the sales department of Corrigan & Co., Miami, with which Mrs. Huey was also associated.

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NASD Raises Member And Assessment Fees

The National Association of Securities Dealers, Inc. will increase fees and assessments 50% and 75% because of a severe decline in underwritings and personnel in the business, according to a membership letter now being circulated.

The basic membership fee will be raised from $30 to $45, the assessment for each unit of personnel, from $3 to $4.50, and the underwriting assessment from 0.01% to 0.0175%. In a condensed financial statement accompanying the letter to members, it was indicated that by the end of the year, September 30th, the Association's operating expenses will have exceeded income by $77,888.

"The Finance Committee," declares the letter signed by Wallace H. Fulton, Executive Director, "expects that members will understand the necessity for the higher assessment of the coming year. Higher assessments are necessary first because of the severe decline in underwritings and, second, because of the sharp decline in the number of personnel engaged and employed in the business."

Frank H. Scheffey of the New York office of the NASD stated that every effort is being made to cut administrative expenses, with drastic cuts in the number of staff personnel. Also members are being asked to fill out questionnaires on trades in a given period, to take the place of the very costly personnel inspections which have previously taken place.

Cashiers Ass'n Outing

The annual outing of The Cashiers Association of Wall Street, Inc., will be held on Saturday, Sept. 11th, at Creedmoor Rest, Creedmoor, Long Island.

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Italian Forces Surrender

The unconditional surrender of the Italian armed forces was announced yesterday (Sept. 8) by Gen. Dwight D. Eisenhower, Commander in Chief of Allied Forces, at headquarters in North Africa.

The surrender came five days after British and Canadian forces had invaded and occupied a portion of southern Italy. Allied headquarters had reported earlier on Sept. 8 new advances by the military forces putting them in control of an area of about 100 square miles.

The Allied forces, following their 38-day conquest of Sicily, had landed on the Italian mainland on Sept. 3, the fourth anniversary of Britain's declaration of war against Germany.

Italy had been in the war since June 10, 1940, when Italian forces marched on France after the German Army was closing in on that country.

C. S. Jameson With G. Brashears & Co.

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Claude S. Jameson has become associated with G. Brashears & Co., 510 South Spring Street, members of the Los Angeles Stock Exchange. Mr. Jameson was formerly manager of the bond trading department of Fairman & Co. and prior thereto served in a similar capacity with Thomas E. Adams & Co. and Griffith-Wagenseller & Durst.

H. B. Keeler Forms Own Investment Firm

(Special to The Financial Chronicle)

CLEVELAND, Ohio.—Horace B. Keeler has formed Keeler & Company with offices in the Union Commerce Building, to engage in a general securities business. Mr. Keeler was formerly vice-president of Ball, Coons & Co. in charge of the corporate bond department. Prior thereto he was in business as an individual dealer and was an officer of Mitchell, Herrick & Co.

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Dunne Of N. Y. Security Dealers Ass'n Takes Issue With Caffrey Of SEC On Selling On A "Net" Vs. An Agency Basis In Over Counter Mart

James J. Caffrey, regional administrator in the New York office of the Securities and Exchange Commission, has admitted in reply to questioning that the Commission staff has been surveying the problem of "riskless" transactions in listed securities in the over-the-counter markets. He declared that in his opinion broker-dealers should charge commissions rather than sell to customers on a so-called "principal basis" at prices which include their profits, where there is no risk involved.

The problem, although emphasized by the prevalence of off-the-board deals in listed securities, is not confined to them, Mr. Caffrey stated, adding that "in any case, it seems to me that, where there is no risk involved, the broker-dealer must act as a broker."

Mark-ups of as much as 2¼ points over the high of the day on stocks and of 5% on bonds have been revealed by the SEC investigation, Mr. Caffrey said.

Frank Dunne, president of the New York Security Dealers Association, according to an item in the New York "Times," expressed himself in favor of handling riskless transactions on an agency basis, but in a statement clarifying his position declared that this was only in the case of transactions on exchanges in which a dealer who has obtained an order from a customer, buys the security on an exchange and resells it simultaneously at a mark-up. He said that in his opinion such transactions should be confirmed to the customer to show the cost of the security, the commission paid by the dealer, and any additional service charge or commission that the dealer might make to compensate him for his effort.

Sidney Lanier Elected V.-P. and Treasurer, R. G. Wasson V.-P. Of J. P. Morgan & Co.

The Board of Directors of J. P. Morgan & Co. Incorporated, 23 Wall Street, New York City, at their regular meeting yesterday appointed Sidney Lanier Vice-President and Treasurer, and appointed R. Gordon Wasson Vice-President.

Mr. Lanier was born at Greenwich, Conn., in 1901. He was graduated from Princeton University in 1924 and entered the employ of the firm of J. P. Morgan & Co. in the following year. Since J. P. Morgan & Co. was incorporated in 1940 he has been its Treasurer.

Mr. Wasson was born in Great Falls, Mont., in 1898. He was graduated from the Columbia School of Journalism in 1920. After a year as instructor at Columbia College, he worked for the New Haven "Register" and later for several years for the New York "Herald Tribune." In 1928 he joined the staff of The Guaranty Company of New York, and in 1934 the staff of J. P. Morgan & Co. He was appointed Assistant Secretary of J. P. Morgan & Co. Incorporated on July 16, 1941.

Safety Car Looks Good

Safety Car Heating & Lighting common offers an interesting situation, according to a memorandum issued by Buckley Brothers, 1529 Walnut Street, Philadelphia, Pa., members of the New York and Philadelphia Stock Exchanges. Copies of this memorandum may be had upon request from Buckley Brothers.

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Bruns, Nordeman & Co., 323 Broadway, New York City, well known Worth Street brokers are opening a Securities Department in addition to their present cotton business.

This is the first firm of cloth brokers to be elected members in the history of the New York Stock Exchange.

Both Mr. Bruns and Mr. Nordeman have been prominently identified with the cotton textile industry since 1908, and in 1923 formed their original company. In 1928 the firm joined the New York Cotton Exchange and added their present raw cotton department.

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C. J. Devine & Co., specialists in United States Government securities, announce the opening of offices in Pittsburgh in The First National Bank Building, and in Cleveland in the Union Commerce Building. The company maintains offices in New York, Chicago, Boston, Philadelphia, Cleveland, Cincinnati, St. Louis and San Francisco.

Now Proprietorship

PORTLAND, ORE.—J. Gilbert Robbins is now sole proprietor of Holt, Robbins & Co., Porter Building. Mr. Robbins was formerly president of the company. Associated with him will be Frank W. Humphrey, J. H. Reed, and Preston Holt, who was formerly an officer of the corporation.

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Real Estate Securities

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A Low Price Hotel Bond Speculation

The bonds of this hotel are currently offered at about 17%, placing a value on the $4,450,000 bond issue of $756,500. Adding this figure to the first mortgage of $370,000, places a value of $1,126,500 for the entire property.

The 1942-43 assessment of the City of New York of the value of the property was $3,750,000, of which the land alone was valued at $1,075,000. This assesesd value was lowered from a much higher figure as a result of court actions.

Comparison of the above figures show us that at the current market price of the bonds, it is possible to buy into this property at a price just slightly higher than the assessed value of the land alone with a 24-story hotel building and theatre thrown in for nothing.

The bonds are secured by a mortgage subject to the first mortgage on land owned in fee occupying the entire block front on the south side of 75th Street, between Amsterdam Avenue and Broadway, New York City, together with the 24-story apartment hotel and the motion picture threatre standing thereon. The land fronts 157 feet on Broadway, 212 feet on 75th Street and 150 feet on Amsterdam Avenue, and comprises a total ground area of approximately 29,400 square feet. The hotel building, occupying the entire Broadway frontage and running back 120 feet on 75th Street, contains 494 rentable rooms divided into some 320 suites of which approximately 65% are furnished. The theatre, having an entrance on Broadway, occupies the remainder of the plot and contains about 2,600 seats.

Upon completion in 1941 of the company's tax reduction suit against the city, a first mortgage was placed upon the property for the purpose of paying old taxes. This mortgage is held by the Massachusetts Mutual Life Insurance Company. The mortgage is due January, 1958 and bears interest at 4% per annum. Beginning July 1, 1943, $6,475 is payable quarterly for both interest and principal; a total of $25,900 per year.

Bonds outstanding are $4,450,000 and carry with them stock representing an equal share in 85% of the ownership of the property. The balance of the stock was given to old junior lien bondholders at the time of the reorganization of the property in 1938.

Interest on the bonds is payable up to 4% if earned and excess earnings are to be used for bond retirement. Interest is distributed annually on April 1st and payable out of the earnings for the 12 months ended January 31st.

An initial payment of $5 per $1,000 bond was made on April 1, 1942 and a similar payment was made on April 1, 1943.

Larger payments in the future are hoped for as a result of a new aggressive management.

In April, 1943 the voting trust expired and a group of large bondholders induced the other bondholders to discontinue the voting trust and elect them as directors. This group has in the past taken over the management of property secured by other bond issues. Their management in these cases has been unusually good and the bondholders seemed to have benefited considerably through their efforts.

At the start of their management of the Beacon Hotel, voting trustee fees were eliminated and they reduced the compensation for officers and directors from $9,000 per annum to $4,800 per annum as their first step to materially curtail expenses.

An important source of income to the property is the 2,600-seat theatre. Originally leased at a minimum rental of $90,000 per annum, this theatre is now leased at the low figure of only $40,000 per annum. However, this lease expires in August, 1944 and the new management hopes for a substantial increase in the income of this portion of the property.

We understand the current earnings of the property are ahead of last year and if there is no drastic change in present occupancy the full year earnings for 1943 will show a substantial improvement over that of 1942. The new management also anticipates success in their efforts for a further reduction in assessed valuation of the property with a possibility for reduction in tax charges which should also add to the income of the property.

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R. E. Pendergast Now V-P. Of Paul & Co.

PHILADELPHIA, PA. — At a meeting of the Board of Directors of Paul & Co., Inc., 1420 Walnut Street, Ralph E. Pendergast was elected Vice-President of the firm. Arthur E. Pendergast resigned as vice-president of the organization effective Sept. 1.

St. Louis, San Francisco RR. Situation Interesting

An interesting report on the reorganization plan for St. Louis-San Francisco RR. has been prepared by Raymond & Co., 148 State St., Boston, Mass. Copies of this report and a special letter discussing the outlook for rail reorganization bonds may be had from the firm upon request.

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Tomorrow's Markets Walter Whyte Says——

Market continues to disregard war news. Developments behind war front will play important part. Expect sharply lower prices before any rally.

By WALTER WHYTE

Now that Labor Day has come and gone, everybody is looking forward to more activity on the stock market front. For some reason Labor Day is always looked at as the Rubicon. Once it's crossed everything will start rolling again. It would be interesting to study past pre and post Labor Day markets to see how often activity actually picked up. But having other things to do I'll leave this research for others.

* * *

During the week just passed the war news again came to the fore. Italy proper was invaded by our forces; we began a major offensive in the Lae area against the Japs, and the Red Army is continuing its successful counter-offensive against the German forces. All of the foregoing is good news. In the ordinary course of events such news should be sufficient to set the market off on a whoopee that would have everybody interested in the price trend dance for joy. But the market in its own phlegmatic manner does not discount the same thing twice; particularly if this news has to do with the conduct of the war on the battlefield. Yet this quality of ignoring the war is not new to this market.

* * *

Ever since December 7th, 1941, the market has per-

(Continued on page 1008)

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Post-War Rail Prospects

McLaughlin, Baird & Reuss, 1 Wall St., New York City, members of the New York Stock Exchange, have just issued an interesting circular entitled "Railroads—Some Thoughts on Post-War Prospects." Copies of this circular may be had from the firm upon request.

Colo.-Southern Looks Good

Colorado & Southern 4½s of 1980 have attractive possibilities according to a circular prepared by Hicks & Price, 231 South La Salle Street, Chicago, Ill., members of the New York and Chicago Stock Exchanges. Copies of this interesting circular may be obtained from Hicks & Price upon request.

Situations of Interest

The current situations in The National Radiator Company and Public National Bank and Trust Co. offer attractive possibilities, according to memoranda being distributed by C. E. Unterberg & Co., 61 Broadway, New York City. Copies of these interesting memoranda may be had from the firm upon request.

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An Address by
PATRICK B. McGINNIS
Before the Corporate Meeting of The National Security Traders Association, Inc., Chicago, Illinois, August 20, 1943
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The Securities Salesman's Corner

How One Firm Is Solving The Manpower Problem

Several months ago the sales manager of a successful retail organization was faced with the necessity of replacing salesmen who had been inducted into the armed services.

This plan was adopted: The salesmen who were inducted were all informed that their jobs would be waiting for them when they returned. In addition, the accounts they were leaving behind would all be handled by the partners of the firm. Upon their return they could have them back. Meanwhile, a special commission account was opened for each salesman. Every transaction with those customers would be credited to them and payment of the commissions is made to their families, or held in trust for them, payable on demand as they might desire.

Their customers have all been notified of this arrangement, both by letter and through the personal visit of one of the partners. In some cases the salesmen themselves explained the situation to their customers. This firm has created a very favorable impression upon its customers, who have been exceedingly cooperative and enthusiastic over this generous and patriotic arrangement.

In addition, several new men were hired. They were selected with care and placed upon a straight salary arrangement for the frist six months. This period has been devoted to training and clientele BUILDING. Each new man was given two hundred new prospects. Pre-approach mailings were sent out at regular intervals. These men are encouraged to work according to a set plan, yet without pressure and with a free mind. Each man is expected to make his calls every day, and he is being trained as he goes along TO SORT OUT THE LIVE PROSPECTS AND ELIMINATE THE DEADWOOD. He discusses each day's interviews with his sales manager and together they analyze each call he has made. As unpromising prospects are uncovered they are replaced by new prospects, and the same procedure of calling, analyzing and eliminating continues until eventually each salesman will have about two hundred LIVE NEW PROSPECTS AND CUSTOMERS upon which he can concentrate.

The efficacy of this method of handling the manpower problem seems to be self evident. Here is a firm **that is keeping** nearly all the business that was left behind by the salesmen who have been called into the war effort. It is holding the good will of its clients. Meanwhile it is strengthening its sales organization and building up its business, so that the effects of lost manpower will not only be minimized at the present time, but in the post-war period it will be in a better position than ever to capitalize upon the opportunities which may then arise.

Now Lt.-Col. Brown

Major Harry E. Brown, formerly associated with Donohue & Sullivan, 75 Federal Street, Boston, Mass., has been promoted to the rank of Lieutenant-Colonel in the U. S. Army. Lt.-Col. Brown is stationed at Fort Strong, Boston Harbor.

Miller, Dodge To Admit

Miller, Dodge & Co., 25 Broad Street, New York City, members of the New York Stock Exchange, will admit John R. Meaney to partnership in their firm as of Sept. 9. Mr. Meaney will act as alternate on the floor of the Exchange for Robert S. Dodge.

Railroad Securities

CHICAGO & NORTH WESTERN

In a last minute attempt to upset the current ICC plan of reorganization for this road, stockholders are trying to force the appointment of a special three judge court to force the ICC to reopen the entire reorganization proceedings and rewrite another plan by taking cognizance of war swollen earnings. Such a plan in that event would obviously provide for some treatment for stockholders who were eliminated in their entirety in the current ICC plan. This attitude would appear to be somewhat non-realistic in the light of the March 15 decision of the Supreme Court which not only denied certiorari, thus in essence approving the plan as promulgated by the ICC but which also gave this latter body a virtual carte blanche in all matters pertaining to all reorganization plans and proceedings. In view of the above developments, recent attempts of the stockholders to upset the plan would appear to be but the dying gasp of an embittered disenfranchised group. The management is not taking these latest legal moves too seriously. In fact the plan is not likely to be delayed in any way since reorganization managers have been appointed and the preparation of the necessary indentures is proceeding according to plan. Additionally, the new securities will be printed in due course. These new securities should be available for distribution by February, 1944, although one trustee has publicly opined that the reorganization should be consummated by the year end.

The reorganization plan of the North Western, dated January 1, 1939, was most drastic indeed, fixed charges being reduced from \$16.4 million to \$2.7 million (increased to \$4.2 million January 1, 1943, when first mortgage interest became 4% fixed). The plan also calls for a capital fund, originally \$3 million annually for the first three years, and thereafter a sum equal to the smaller of the following amounts, \$2.5 million or 2.5% of railway operating revenues. Additionally, the plan provides for \$4.7 million income bond interest, \$525,000 income bond sinking fund requirements, followed by 1,069,960 shares of \$5 preferred stock and 1,077,997 shares of common.

A cursory glance at earnings during the depression thirties will disclose that they did not cover full interest requirements on the new securities, drastic as was the readjustment of the capital structure. In fact, average earnings for the years 1933-1939 (only \$37,000 was earned in 1937 and an operating deficit of \$126,000 shown in 1938) were but \$3.7 million, insufficient to cover even first mortgage interest, let alone provide a residue for the other securities and the capital fund.

However, these past earnings are relatively meaningless. They ignore the normal sequence of earnings immediately preceding and during the period of receivership, and also fail to take cognizance of a probable change in administration policies whereby 30 to 40 million acres may be returned to cultivation, of major importance to an agricultural road like the North Western. These earnings also ignore the incidence of cash, importance of which will be emphasized subsequently. Parenthetically, because of the changed fundamental outlook for the road, we anticipate a post-war gross ranging, depending upon the particular stage of the business cycle, from \$90 to \$130 million and net available for charges of between \$10 and \$20 million.

The North Western has definitely benefited from the war, earnings experiencing a sharp increase, as will be noted:

	Net Available for Charges (000 Omitted)
1939	\$5,722
1940	10,095
1941	16,793
1942	24,940

The above earnings do not include those of its subsidiary, the Omaha. Thus, far in 1943 the road has reported net operating income of \$18,768 million for the first seven months as compared with \$12,120 million for the corresponding period a year ago (Omaha \$2.66 million versus \$1.21 million for the same periods). For the full year 1943, despite rescission of the 1942 freight rate increase

(Continued on page 1008)

Our latest Letter (for brokers only) analyzes our idea of the value of the new

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Chicago Brevities

Following a wave of new corporate financing activity that kept the local investment banking fraternity well occupied last week, Chicago financial men were all set at the start of this week to devote a major part of their time to making the third war loan drive of the Treasury Department a complete success. Much preliminary work already has been done in the direction of obtaining subscriptions to new Treasury securities, but efforts of financial men will be intensified with the formal opening of the campaign.

There is apparently nothing standing in the way of security dealers devoting their full energies to assure success of the war bond drive. For one thing, it is in the nature of policy for investment firms to make war financing their first order of business during money-raising campaigns of the Treasury Department. Moreover, all but one of the new corporate issues that became ready for public presentation cleared the market last week, and financing activity in the municipal field has dwindled to an exceptionally slow pace.

The only corporate flotation scheduled to be offered and which did not reach the market last week consisted of $15,000,000 of equipment trust certificates of the Illinois Central Railroad. This issue was scheduled for sale at competitive bidding on Aug. 30, but a single offer was entered, and it was rejected. There was a possibility at the week-end that this issue might be placed privately with an investment banking group prior to the official opening of the war bond drive. This view, however, was largely conjecture, based on negotiations understood to be underway.

Issues Total $61,500,000

Investment bankers opened the last week by bidding for five new issues totaling $61,500,000, including the Illinois Central flotation, within a two-day period. This was scheduled to be the largest amount of new corporate securities to enter the capital market within such a short period of time since the financing that preceded the second war loan drive in April. Failure of the I. C. to sell its issue, however, restricted the actual amount of financing that was completed.

The other four issues included $17,000,000 of 3¼% first mortgage bonds of **Iowa Power and Light Company**, $18,000,000 of first mortgage 30-year bonds of **West Texas Utilities Company**, $4,000,000 of 30-year first mortgage bonds and 35,000 shares of preferred stock of **Pennsylvania Electric Company**, and $4,000,000 of equipment trust certificates of the **Baltimore & Ohio Railroad.** All of these flotations were offered formally in the market during the week, and most of the securities have already been digested by investors.

Prior to the sale of these flotations, some local investment bankers were somewhat concerned over the fact that five financing operations were due to enter the market within such a short period and were inclined to question, to some degree, whether all these securities could be absorbed by investors prior to the opening of the war bond drive. The latter question arose because it was felt that investors generally already were eyeing their portfolios to consider how much of new government securities they could purchase. Talk thereupon was heard that some banking groups would be inclined to enter bids for the various issues that would assure attractive reoffering prices.

Sales Held in Chicago

Notwithstanding the latter view, the three bond issues were sold by the various utility companies at prices which were considered quite high. Moreover, a rather satisfactory investor response was shown in the reofferings.

Chicago was the scene of both the Iowa Power and Light and West Texas Utilities sales, and each attracted four bids. Bids on the Iowa Power flotation were opened by C. A. Leland, president of the company. The high offer of 107.56 was entered by a syndicate headed by Kidder Peabody & Co. and White, Weld & Co., which reoffered the securities at 108.50, to yield approximately 2.83%. Syndicates managed by Lehman Brothers, The First Boston Corporation, and Halsey, Stuart & Co., Inc., also were represented at the sale.

Sale of the West Texas issue was supervised by Purcell L. Smith, President of Middle West Corporation, of which West Texas is a subsidiary. The high offer of 101.605 for 3⅛% securities was named by a group headed by The First Boston Corporation and Harris, Hall & Co., Inc., which reoffered the issue at a price of 102.46, to yield 3.00%. Groups headed by Harriman, Ripley & Co., Inc., Kuhn, Loeb & Co., and Lehman Brothers, jointly, and Halsey, Stuart & Co., Inc., also submitted offers for this issue.

The Pennsylvania Electric securities were bid for actively, with eight groups represented at the sale. The bond issue went to Salomon Bros. & Hutzler, and the preferred stock to Smith, Barney & Co.

Halsey Buys B. & O. Issue

Halsey, Stuart & Co. headed the only syndicate which submitted offers for the **Baltimore & Ohio** and **Illinois Central** equipment

(Continued on page 1003)

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Chicago Recommendations

Adams & Co., 231 South La Salle St., will send on request a recent circular on **National Terminal Corp. Common Stock.**

* * *

Brailsford & Co., 208 South La Salle St., have prepared an interesting pamphlet entitled **Chicago Traction Highlights.** This answers the question whether all the money reported in possession of the Chicago Surface Lines is in actual cash. This pamphlet shows the amount of cash on hand and where it is deposited. It is the company's own money and has no connection whatever with the so-called City Traction fund which is being used to build the subway. Copies of the pamphlet may be had upon request.

* * *

Cruttenden & Co., 209 South La Salle St., have prepared an analysis containing statistical memoranda on **Miller & Hart, Inc.**, copies of which may be had upon request.

* * *

Enyart, Van Camp & Co., 100 West Monroe St., will furnish late information and quotations on **Chicago and Suburban Bank Stocks.**

* * *

Faroll Brothers, 208 South La Salle St., have prepared a recent analysis on **Standard Silica**, which is available on request. This is an Illinois corporation and is personal property tax-exempt in this State.

* * *

William A. Fuller & Co., 209 South La Salle St., now have available six months' comparative figures on **Durez Plastics & Chemicals, Inc., Common Stock.** Copies may be had upon request.

* * *

Hicks & Price, 231 South La Salle St., have prepared a comprehensive up-to-date brochure on **Colorado & Southern 4½s of 1980.** This illustrated booklet may be had upon request.

* * *

Leason & Co., 39 South La Salle St., have prepared an illustrated brochure covering **The Chicago Rapid Transit Co.**, which will be supplied on request. Chicago Rapid Transit Co. reports a sharp increase in revenue passengers of 14,067,055 in August, an increase of 9.7% over the 12,817,573 carried in August, 1942. For the eight months of this year 114,975,562 passengers were carried, compared with 107,716,542 in the corresponding 1942 period, an increase of 6.74%.

* * *

E. H. Rollins & Sons, Inc., 135 South La Salle St., have prepared an interesting memorandum explaining and amplifying the trustees' application for reorganization and recapitalization of the **Ohmer Fare Register Co.**, especially as it pertains to the arbitrage and speculative features of the Ohmer Fare Register 7-38. Copies may be had upon request.

* * *

Straus Securities Co., 135 South La Salle St., have compiled late analyses on **Steel Products Engineering, United Stock Yards** and **Marmon, Herrington Co.** Copies available on request.

* * *

Thomson & McKinnon's Stock and Bond Reviews this week place emphasis on relative values rather than near-term price fluctuations. They continue to maintain the view that the long-term trend of equity prices is upward.

Their current **Bond Review** has a special article on **Armour and the Meat Packers**, and their weekly **Stock Review** an analysis of the **Outlook for Gold Stocks**, both of which are very timely.

Any one interested may secure a copy of either or both of these reviews, free of charge, by addressing **Thomson & McKinnon Statistical Library**, 231 So. La Salle St., Chicago.

To Represent Bondholders Of Ga. Central Divisions

William A. Spanier of A. A. Bennett & Co., Chicago, Addison Warner, Addison Warner & Co., Chicago, and W. F. Wagner, New York City, have formed a Bondholders' Committee, to represent holders of bonds of the Macon & Northern, Mobile, and Middle Georgia Atlantic Division of the Central of Georgia Railway. In addition to representing holders in Savannah, the Committee is also going to submit a Plan of Reorganization. Any dealers who have distributed these bonds are requested by the Committee to join them—without charge or any obligation whatsoever. Headquarters of the Committee are at 105 South La Salle Street, Chicago, Suite 506.

Robt. J. Rosenberg With H. Hentz & Co.

CHICAGO, ILL. — Robert J. Rosenberg has re-entered the brokerage business and has become associated with H. Hentz & Co., 120 South La Salle Street. Mr. Rosenberg in the past was connected with A. R. Frank Co., predecessors of H. Hentz & Co.

North American Co. Situation Of Interest

North American Company offers interesting possibilities at the present time according to a special study prepared by the Investment Research Department of Thomson & McKinnon, 231 South La Salle Street, Chicago, Ill., members of the New York Stock Exchange and other principal exchanges. Copies of this study may be had from Thomson & McKinnon upon request.

Railroad Securities In The Post-War Era

Pflugfelder, Bampton & Rust, 61 Broadway, New York City, members of the New York Stock Exchange and specialists in railroad reorganization securities, have published "Railroad Securities in the Post-War Era," which represents the views of Patrick B. McGinnis as expressed at the corporate meeting of the National Security Traders Association, Inc., held in Chicago on Aug. 20.

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Ranson-Davidson Co. Opens Chicago Office

CHICAGO, Ill.—The Ranson-Davidson Co., Inc. of Wichita, Kansas has opened a new branch office in Chicago at 135 South La Salle Street. Associated with the firm in the Chicago branch will be Robert L. Creek, formerly a partner in C. W. McNear & Co. Mr. Creek's connection with Ranson-Davidson Co. was previously reported in the Financial Chronicle of September 2nd.

Chicago, Rock Island Situation Analyzed

Leroy A. Strasburger & Co., One Wall Street, New York City, have issued an interesting letter analyzing their idea of the value of the Chicago Rock Island & Pacific new securities, when issued. Copies of this letter are available, to dealers only, upon request.

J. V. Sullivan With Eastman, Dillon & Co.

(Special to The Financial Chronicle)

CHICAGO, Ill.—James V. Sullivan has become associated with Eastman, Dillon & Co., 135 South La Salle Street. Mr. Sullivan was formerly with Paul H. Davis & Co. for a number of years and prior thereto was manager of the investment securities department for F. S. Lewis & Co.

E. B. Hall To Aid War Loan Drive

Appointment of Edward B. Hall, President of Harris, Hall & Co., Chicago investment bankers, as Assistant to Secretary of the Treasury Morgenthau was announced on Sept. 3.

Mr. Hall will be associated with Ted R. Gamble, national director of the Third War Loan Drive, and will direct war financing through banks and investment companies.

New Frontiers Of Business Development Seen By Schram

(Continued from first page)

this system as one of the basic free institutions we are defending." Mr. Schram continued:

"I might observe that one of the reasons our economic system has performed so competently in this emergency is because men have an incentive and understand exactly what that incentive is. But it is necessary to keep in mind that the great patriotic urge, which is the incentive behind our amazing effort today, must eventually be replaced by the normal incentive to earn a profit and a wage. If the incentive of unlimited accomplishment is permitted to operate, it will perform miracles as great in peace as in war. But this system cannot function to our satisfaction if government is hostile to it, or if there is mutual distrust, or if business is harassed and restricted, or if its detractors in government continually seek opportunities to attack and discredit business.

"Now I am going to advance the simple proposition that the solution of most of our post-war problems, including, of course, the carrying of the national debt, will not be too difficult if we will but surround our competitive enterprise economy with a friendly, favorable atmosphere, if we will give it the freedom it needs and if we will fix upon an unequivocal national policy which recognizes freedom of opportunity as the keystone and basis of our way of life.

"Before I attempt to outline what I think are the principal specifications for such a policy, suppose we examine briefly our major objectives, even at the risk of over-simplification:

"(1) The production of goods and services at a level sufficiently high to occupy all who wish to work and are able to do so.

"(2) A national income adequate to purchase such products and to service and amortize our national debt.

"Responsibility for the attainment of these objectives rests upon government, management, labor, capital and agriculture; in fact upon all the various constituents of our economy. But it is the responsibility, first, of government, representing all the people, to formulate the policy, to lay down the rules, under which our national economy can function best. The initiative necessarily rests with government, that is, with Congress and with our policymakers, through whom the national will finds expression.

"If you will bear with me briefly, I am going to sugggest certain measures and considerations which, in my judgment, are essential to an orderly conversion from war to a sound, prosperous peace economy."

Mr. Schram stated that, "first and foremost, the Government should accept and apply as a guiding principle the fact that ours is still an expanding, a dynamic economy, not a static and mature one." He added:

"In the post-war period our Government, if it is to live up to its responsibilities, must nourish the profit motive, not merely tolerate it. Those of our political leaders who have long sought to discredit the profit incentive as an instrument of human progresss overlook the fact that it is an elemental instinct of American life.

"The time is at hand when our Federal tax structure should be redesigned. This is imperative not only because of the necessity of raising a great amount of additional revenue, but also as essential preparation for the transition from peace to war.

"The new tax laws should be drafted with a full recognition of the urgent necessity of building reserves adequate for financing not only the change-over to peacetime production but, also, for the enormous expansion which will be required to satisfy the postwar requirements of our people.

(Continued on page 1011)

Chicago Brevities

(Continued from page 1002)

trust flotations. The account purchased the B. & O. issue, which bears interest at 3%, at a price of 100.057, and was able to place 60% of the issue the first day of the reoffering. The rejected bid for the I. C. flotation was at a price of 98.0517 for a 2½% interest rate, the equivalent of a net annual average interest cost to the road of about 2.99%. The road regarded the bid as unsatisfactory and felt it should have obtained a higher price.

The fact that the B. & O. obtained only a single bid for its issue was regarded as the result of the unusual nature of its financing. The issue is for the purpose of financing 100% of the costs of acquiring new equipment and is part of a total authorized flotation of $10,760,000. Earlier this year the road sold $3,500,000 of total issue, also to Halsey, Stuart & Co., which came as the first equipment flotation of all time to be issued to finance 100% of the cost of new rolling stock and which was placed directly with investment bankers. Usually railroad equipment flotations are issued to finance anywhere from 75 to 90% of rolling stock acquisition costs.

A number of reasons were assigned by investment bankers for the fact that only a single bid was entered for the I. C. certificates. These included the imminence of the War Loan drive, which found investors primarily interested in new Treasury securities, the fact that a number of financing operations were undertaken during the week, and the unusual nature of the road's operation.

I. C. Financing Unusual

The contemplated equipment trust of the road is unusual in that it would be secured by equipment already in operation, rather than by new equipment. The Illinois Central planned to use the proceeds of the sale to pay off the remaining $15,000,000 of indebtedness to the Reconstruction Finance Corp., which totaled roundly $37,000,000 last December.

While activity in the capital market will dry up for the duration of the War Loan drive, investment bankers here are of the opinion that a revival of activity will result in the corporate market after completion of the campaign. Already in registration with the Securities & Exchange Commission are such issues as $37,000,000 of first mortgage bonds of **Utah Power & Light Co.**, $16,000,000 of first mortgage bonds and 40,000 shares of preferred stock of **California Electric Power Company**, and $7,500,000 of first mortgage bonds and 20,000 shares of preferred stock of **Atlanta Gas Light Co.**

In addition, other programs are being made ready for registration, such as a $25,000,000 refunding by **P. Lorillard Company**, which will embrace $20,000,000 of debentures and $5,000,000 of common stock. A number of utility companies also have financing plans under consideration.

BOARD DEFAULTS AGAIN

The Chicago Board of Education defaulted on one-eleventh of the coupon due Sept. 1 on its outstanding issue of $5,500,000 of refunding 4¾% bonds, dated Sept. 1, 1934, and due Sept. 1, 1954. Of the $23.75 coupon due on each $1,000 bond, the board paid $21.59 and passed payment on $2.16.

This partial default is the result of a decision handed down last July by Judge Edmund K. Jarecki of the Cook County Court, who held, in effect, that one-eleventh of the issue was invalid. Previously, the board defaulted on the entire coupon due Aug. 1 on its outstanding issue of $900,000 of 4¾% bonds, dated Feb. 1, 1935, and due Feb. 1, 1955. This default also arose from Judge Jarecki's decision.

One-eleventh of the $5,500,000 issue and the entire $900,000 flotation were sold to refund bonds which originally had been issued in 1931 to pay off 1928 and 1929 tax anticipation warrants of the board. In his decision, Judge Jarecki held that tax warrants could be redeemed only from the proceeds of taxes levied for the years for which the warrants were issued. His decision followed the principle handed down by the Illinois Supreme Court in 1935, in which it was ruled that bonds could not be issued to pay tax anticipation warrants.

The Board of Education plans to appeal Judge Jarecki's decision to the State Supreme Court.

W. Helm To Speak

CHICAGO, ILL.—Wilbur Helm of the Central Republic Company, will be speaker at the Credit Women's Club of Chicago at their dinner meeting to be held Sept. 14 at 6:15 p.m. at 185 North Wabash.

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Wisconsin Brevities

Central Electric & Telephone Company reports net income of $460,550 for the 12 months ended June 30, 1943, compared with $352,956 in the similar 12-month period of 1942. This is equivalent to $7 a share on the $50 par $3 preferred stock, against $5.30 a share for the 1942 period. On a consolidated basis Central Electric reports $520,592 for the year ended June 30—equal to $7.90 a share, compared with $369,075—equal to $5.60 a share. Common stock earnings on a consolidated basis were equivalent to 44¢ a share for the year ended June 30, 1943, compared with 23¢ a share the year before.

Directors of the **Le Roi Company**, Milwaukee, have declared a dividend of 40¢ a share, payable Sept. 25 to stock of record Sept. 11. This will bring total payments for the current fiscal year ended Sept. 30 to $1 a share. A similar amount was paid in the preceding fiscal year.

Other Wisconsin dividend declarations include:

Safeway Steel Products, Inc.—10¢ a share, payable Sept. 7 to stock of record Aug. 25, bringing total disbursements for the year thus far to 30¢.

Globe Steel Tubes Company—25¢ a share, payable Sept. 15 to stock of record Sept. 2.

Harnischfeger Corporation—15¢ a share on the common stock, payable Sept. 25 to stock of record Sept. 15.

Hein-Werner Motor Parts Company—20¢ a share, payable Sept. 15 to stock of record Sept. 1.

Wakesha Motors Company—Quarterly dividend of 25¢ a share, payable Oct. 1 to stock of record Sept. 15.

Modine Manufacturing Company—30¢ a share, payable Sept. 20 to stock of record Sep. 10.

Twin Disc Clutch Company reports net income equivalent to $13.15 for the fiscal year ended June 30, compared with $11.18 a share in the preceding fiscal year. The 1943 earnings are after a $280,000 reserve for contingencies.

President Denies Lend-Lease To Be Repaid In Victory, Peace Only

President Roosevelt on Sept. 7 repudiated two sentences contained in his letter to Congress Aug. 25 transmitting the eleventh lend-lease report.

The sentences read as follows:

"The Congress in passing and extending the Lend-Lease Act made it plain that the United States wants no new war debts to jeopardize the coming peace. Victory and a secure peace are the only coin in which we can be repaid."

The President told his press conference that, although the letter was attributed to him, he had not seen these sentences and apologized for the mistake. A corrected copy without the sentences in question, he added, will go to Congress.

As to Mr. Roosevelt's comment on these sentences, Washington advices of Sept. 7 to the New York "Times" stated:

"There was truth in those words, the President said, but it was a condensation of the truth which might lead to misunderstanding. It was only about a quarter of the truth.

"It said no debt, but what is debt? the President asked. Is it to be paid in money or goods? As stated in the letter, he added, it did not do the situation justice.

"It was perfectly true in a narrow, technical sense, that we wanted no debt, the President said. But it was his thought and that of most of the other countries that they would repay so far as they possibly could, he asserted. This did not necessarily mean in dollars, the President said.

"Since a great many people in this country thought of coin as something that jingled in the pocket, he would not have worded the second sentence the way in which it had been, he declared. There were all kinds of coin, he added, whether or not they jingled."

In the same account President Roosevelt was reported as saying that while the United States did not necessarily expect repayment of lend-lease advances in dollars, it was his thought and that of most of the other countries that they would repay all that they possibly could.

The text of the letter referred to above appeared in these columns Sept. 2, page 927.

SEC Death Sentence Activities In Wartime Threaten Private Enterprise

(Continued from first page)

1938. During the next two years, moreover, the SEC appeared content to feel its way along and, through discussions with holding companies, define those zones of enforcement in which conflict was likely to develop. As a result, enforcement of the integration provisions of the Act did not actually get under way until the spring of 1940. But since that time, which coincides roughly with the start of national defense preparations, the Commission has been pressing for a "rapid compliance" with the "death sentence."

Its major reasons for trying to compel the dissolution of holding companies in the midst of a national emergency appear to be three in number. First, the SEC contends that the removal of financial obstacles, resulting from the need by holding companies of income to support top-heavy capital structures, is a necessary step in the direction of expansion of power supply to meet war-stimulated demands. Second, it argues that because distributable income of operating subsidiaries in holding company systems will tend to decline in the face of rising operating costs and taxes, many holding companies will be vulnerable to defaults in interest payments, and faced with an inability to pay preferred dividends in full. And, third, it insists that holding company financial structures must be strengthened to withstand the impact of probable post-war adjustments.

None of these contentions appears persuasive. As those familiar with utility operations recognize, there is no relation between the ability of an operating electric or gas utility to meet the demands for service made upon it and the ratios of debt securities, preferred stock, common stock, and surplus to its total capitalization. Just so long as an operating utility is able, through the sale of any form of security, to engage the capital required to expand its facilities, the demands of its consumers can be met. Moreover, the current that comes off the end of a power line has just as much "zip" to it, and the gas that comes from the end of a pipe burns just as hot, regardless of whether the funds used to construct production facilities were borrowed from banks, or were obtained through the sale of bonds, notes, preferred stock or common shares.

It is not intended to imply that a preponderance of debt securities in any capital structure is desirable. Interest charges exert a contractual claim upon revenues, and the penalty for non-payment is foreclosure and bankruptcy. Furthermore, a high proportion of debt in the capital structure of any form of enterprise carries with it the germ of disaster in lean years to come. And, for that matter, neither is the piling of deficit upon deficit by a national government desirable. But when the need of funds by either a private enterprise or a government is great, as in the thick of a global war, that need vastly outweighs any thought of niceties in financing methods. These are luxuries for peace-time enjoyment.

Actually, there has been no shortage of electric energy, or of manufactured or natural gas, in the United States during the present emergency. The electric demands of the Nation's industries now are more than double those of 4 years ago, while total electric consumption is running some 70% higher. Likewise, the present industrial demand for manufactured and natural gas, combined, is nearly 75% above that of September 1939, while total use of gas is approximately half again higher. Yet every demand for these services has been met in full.

The SEC's second argument that the ability of holding companies to meet interest and preferred dividend requirements is endangered by declining earnings of operating subsidiaries likewise fails to hold water. Although operating costs have increased moderately under the impact of war, and taxes assessed by the Federal Government have expanded sharply, it is not true that operating subsidiary earnings have declined to the extent the SEC envisions. In fact, they are currently increasing.

According to a tabulation made by Edison Electric Institute, which utilized reports submitted to the Federal Power Commission, the gross corporate income of the privately owned electric utilities of the country, available for interest and dividend payments, was 4.3% higher in the first 6 months of 1943 than in the corresponding period of the preceding year. This increase, however, is based on taxes actually accrued. But even if the rates prescribed by the 1942 Revenue Act, which was not adopted until the fall of that year, had been in effect during the first 6 months of 1942, gross corporate income for the 1943 half-year still would be 1.7% higher.

The third contention of the SEC that it must now put holding company financial structures in shape to withstand the shock of post-war adjustments appears of doubtful validity. While the objective, as stated, sounds reasonable, it has but limited application as a practical matter. And it certainly does not call for an inflexible blanket policy. Many of our holding companies unquestionably are in sufficiently sound financial shape to survive any post-war uncertainties, and to render whatever financial and other assistance their operating subsidiaries may require, just as they are assisting them now and have assisted them in pre-war days. And having lived with these subsidiaries throughout the years, they probably know their vulnerable spots much better than a governmental agency, whose acquaintance with them is wholly statistical.

Undoubtedly, certain of the weaker holding companies could be helped by changes in their capital structures, but it is hard to see why it is necessary to kill the patient in order to cure him. The process of liquidating a sizable holding company is not an easy one at best. Conflicting rights and interests call for an unhurried consideration not only of existing factors, but of prospective developments, and the confusion and haste of wartime do not lend themselves to a calm and judicial approach. A man does not try to disentangle a fishing line while fighting his way through the waves.

But if the reasons advanced by the SEC to justify the dissolution of utility holding companies in the midst of our country's fight for survival are lacking in merit, one effect of this course of action appears certain. Speaking before the Harvard Business School Alumni Association in June 1939, Judge Robert E. Healy, a member of the Securities and Exchange Commission, said:

> ". . . The Holding Company Act does not mean a death sentence for the utility industry or for the utility holding company. ...It does not mean the nationalization of the utility industry. Whether you would oppose nationalization of electric power or whether you would favor it, you will not find it in the Holding Company Act, or in its administration."

Unfortunately, this is a situation in which actions speak louder than words, as many owners of utility holding company securities can testify.

On the whole, the American people have shown an unwillingness to engage in the supplying of their own electricity, believing apparently that lower complete costs and better service result when electric utilities are privately owned and are under business, rather than political, management. Nevertheless, numerous communities have experimented in the past with their own electric systems. Between 1882 and 1932, inclusive, 3,904 of them, at one time or another, owned their electric supply systems. But by the close of this period, more than half of them—actually 2,055—had quit the electric utility business, and had turned their electric supply problems over to privately owned systems.

Early in 1933, however, the depression-born PWA began giving 45% of the cost to communities

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building their own electric systems, and loaned them the balance at very low rates. Furthermore, Federal power projects like TVA and Bonneville Dam began making electricity available to publicly owned systems at subsidized rates, which were well under the actual cost of power. As might be expected, this combination of Federal generosities gave a sharp impetus to municipal ownership of electric utilities.

From 1933 through 1942, a total of 1,039 elections were held on proposals for municipal ownership. In the first 3 years of the decade, an average of 109 elections were held annually, at which 62% of the vote favored the proposal. In the next 4 years, the annual average was 131 elections, at which 44% of the voters favored municipal ownership. And in the last 3 years, the annual average was 61 elections, at which only 34% of the vote was favorable to the proposition. Furthermore, around three-quarters of all communities accepting municipal ownership in the decade were located within transmission distance of Federal power projects, from which power could be bought at below cost, and about the same proportion of communities favoring municipal ownership did so during the earlier years of the decade, when PWA was giving them nearly half the cost of their systems.

This experience of the past decade seemingly would suggest that American communities, like the individuals composing them, cannot resist a bargain, and that, again like their components, they rather enjoy passing the tax buck to the other fellow. At any rate, this combination of traits, plus the SEC's enforcement of the "death sentence" against holding companies during a period of abnormally high taxes, is encouraging municipal ownership of electric and, to some extent, of gas utilities today. A few instances will serve to indicate the trend.

For more than 45 years, Key West, Florida, was served with electricity by the Key West Electric Company, an operating subsidiary of Engineers Public Service Company. During the 12 months ended June 30, 1943, it had operating revenues of $382,461, against which it incurred operating and depreciation costs of $117,976. In addition, its Federal, State and local tax bills totaled $119,306, which left the company with a gross income of $85,179 with which to pay interest on its bonds and dividends on its preferred and common stocks.

But the SEC required Engineers Public Service to dispose of Key West Electric, along with other subsidiaries, in the "death sentence'' proceedings instituted against it. Private buyers, unfortunately, were limited in the price they could pay, because they would have to meet all the taxes paid by the Key West company. But if the City of Key West bought it, no Federal taxes would be levied on its profits, and it could escape most of the State and local taxes paid by the private company. So the City sold $1,500,000 of revenue bonds, paid $1,293,000 for the private company, paid all expenses incurred in the deal, and had $83,000 left for working capital and extensions to the property.

Thanks to the SEC for making the private utility available for purchase, and to Federal taxpayers throughout the country for shouldering an added burden, Key West has made a good buy. Where the private company had to pay $77,343 in Federal income and excess profits taxes in the June 1943 year, the City will not pay the Federal Government a dime. And where the private utility had to pay $41,963 in State and local taxes, the City will have to pay only the State gross receipts tax. To be sure, it proposes to charge its own electric plant with a sum equivalent to the taxes it used to receive from the private company, but this means merely moving money from one pocket to another. And since the sum of the State gross receipts tax and the payment it will make to itself in lieu of taxes is estimated at $14,100, the City will "save" $27,863 annually in State and local taxes, largely at the expense of other taxpayers in the State.

Add this $27,863 to the $77,343 in Federal taxes which the City can "save" by making no contribution to the support of the Federal Government, and you find that the City can escape $105,206 in Federal, State and local taxes, which a private utility would have to pay as one of its costs of doing business. And thus the profit to the City will run around $190,000 a year, more than two-fifths of which will come out of the hide of Federal taxpayers in all sections of the land.

Another case in point is the purchase of the electric and gas facilities of San Antonio Public Service Company, about a year ago, by the City of San Antonio and 3 nearby communities. San Antonio Public Service was an operating subsidiary of American Light & Traction Company, which was a subsidiary holding company in the United Light & Power system. And since it could not be retained by American Light & Traction under the SEC's dissolution plan for United Light, it was available for purchase by its served communities. In addition to electric and gas service, the company operated a bus transportation system in San Antonio, but since the bus system was sold to private parties, it did not enter into this transaction.

During the 12 months ended May 31, 1942, San Antonio Public Service received electric and gas operating revenues, plus a small amount of non-operating income, totaling $8,735,657, against which it had operation, maintenance and depreciation expenses amounting to $5,184,100. In addition, it had to pay $1,071,929 in Federal taxes and $776,900 in State and local taxes, which left it a gross income of $1,702,728 with which to pay interest and dividends. Had Federal taxes been levied during this period at rates prescribed by the 1942 Revenue Act, this gross income would have been reduced by an estimated $300,000.

Primarily because the communities buying the electric and gas facilities of San Antonio Public Service can "save" the Federal tax of $1,071,929, and about half the State and local taxes of $776,900, which the private company had to pay, they will have a gross income practically double that of the private utility, with which to pay interest on their bonds, and to retire them. So here, again, the SEC's administration of the Holding Company Act has contributed to "nationalization of the utility industry."

But communities are not the only potential buyers who can benefit from private utilities being forced on the market during a period of high war taxes by SEC "death sentences." Since rural electrification cooperatives, which are financed 100% through loans of public funds by the Rural Electrification Administration, pay no Federal taxes in any State, and State and local taxes in comparatively few, they too have bought operating subsidiaries of holding companies, which have been forced on the market by SEC "death sentence" orders.

Missouri Electric Power Company, an operating utility rendering electric service, along with some incidental water and ice service, in 40 communities and surrounding areas in southern and southeastern Missouri, is a subsidiary of Central States Power & Light Corporation. And Central States, in turn, is owned by Central States Utilities Corporation, which is a subsidiary holding company of Ogden Corporation. Under the terms of the "death sentence" imposed upon Ogden Corporation by the SEC, it is required to dispose of Missouri Electric Power, along with other subsidiaries. Several privately owned utilities operating in the same general territory were interested in buying parts of the property, while other private interests attempted to buy it in its entirety.

But the Sho-Me Power Cooperative, an REA-financed rural electrification project, also wanted it, and agreed to pay $2,500,000, which is reputed to be from $50,000 to $125,000 more than private interests had bid. The transaction received SEC approval on Dec. 1, 1942, but the Missouri Public Service Commission so far has failed to okay the deal, and it has not been consummated.

Then, too, the bankrupt Associated Gas & Electric Company, among its far-flung holdings, owned three small utilities in Ohio, which operated in all or parts of 12 counties. These were (1) General Utilities Company with 3,522 electric consumers in and around Grelton and Malinta; (2) Western Reserve Power & Light Company with 2,591 electric consumers in and around Burbank, Lodi, Nova, Spencer and West Salem; and (3) New London Power Company with 800 electric consumers in and around New London. Since the SEC would not permit Associated Gas & Electric to retain these companies, they were sold to REA-financed rural cooperatives for an aggregate of $1,100,000.

In each of the four instances cited, where holding company subsidiaries have been acquired by municipalities or farmers' cooperatives, one of the major inducements held out to voters and cooperative members to secure their approval was the ability to escape the full amount of Federal taxes, and a goodly share of the State and local taxes, paid by the previous private owners. There is, moreover, good reason to believe that if these utilities had been taxable in the hands of communities and cooperatives by the same authorities, and at the same rates, as the private companies, their purchases never would have been attempted.

Nothing in the Holding Company Act, not even in Section 1 thereof which recites evils of the past and points the necessity for control of holding companies, would indicate that one of its objectives is nationalization of the electric and gas utility industries. Nor is such an objective even remotely suggested by the Act's legislative history. Only in the manner in which the SEC administers it, only by enforcement of the "death sentence" provisions in the midst of a war emergency, is any aid lent to the nationalization of these industries.

It would appear, then, that since it was not the intent of Congress to adopt legislation which circumstances could twist into a device for converting privately owned electric and gas utilities into publicly owned enterprises, Congress would be justified now in ensuring against further perversion of its intent. This could best and most easily be accomplished by deferring SEC dissolution activities for the duration.

A. H. Gordon Elected Tubize Chatillon Director

Albert H. Gordon of Kidder, Peabody & Co., New York City, has been elected a director of Tubize Chatillon Corporation to succeed Col. W. P. Barba, resigned.

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AFTER LABOR DAY

This is the time of the year which traditionally marks a quickening of the financial pulse of the country. Whether the trend is up or down, the market usually becomes more active after Labor Day. This year such a development will be no less welcome than in the past. August has been a slow month—particularly slow for brokers and dealers. **Firms whose business has held up best are, by and large, those who deal extensively in investment company shares.**

And speaking of the trend of the market, we have some encouraging news to report. The opinion of our friend with the "Stock Price Trend Indicator" that the recent shake-out would prove to be of a short-term character continues to be confirmed by his own index. The longer-term index has remained bullish throughout the decline.

More important for the immediate future, the short-term index gave a "Buy" signal on Tuesday, Aug. 31. As previously reported in this column, the short-term index has been in a bearish position since July 20. Now both indexes are in gear again and the indicated trend is up.

(For readers interested in previous reports on our "Stock Price Trend Indicator," a list of **all references** made to it in this column follows: May 28, 1942; July 9, 1942; Dec. 31, 1942; March 11, 1943; April 1, 1943; June 24, 1943; Aug. 12, 1943.)

Returning to the subject of business volume in the various segments of the financial community, it is a fact that the sale of investment company shares held up far better in August than the amount of business transacted on the leading exchanges or in the principal over-the-counter markets. Since the investment companies are generally following a policy of keeping fully invested at this time, it is obvious that an increasing portion of the total listed business in securities originated with them last month.

In our opinion, both of these developments are sound. We believe, moreover, that they represent a trend which will be accentuated in the years ahead. Brokers have always done their biggest business at the top of the market. The investment companies are learning how to do business when prices are low.

Investment dealers, too, are learning that they can do good business in investing company shares when they can't sell anything else. Many of them have already learned that by concentrating on investment company shares they can avoid most of the headaches which accompany the underwriting and over-the-counter business.

This writer knows personally a number of high-grade investment dealers who only five years ago wouldn't even consider handling investment company shares. Today all of these dealers are selling "mutual funds" and over half of them are selling nothing else.

Investment dealers are human—they like to make money and they like satisfied customers. They like the excellent sales helps and the continuing investment information available free through leading mutual fund sponsors. They like to sell securities without feeling that they are sticking their necks out a mile every time they close a deal.

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Attractive Situations

Blair F. Claybaugh & Co., 72 Wall Street, New York City, members of the Philadelphia Stock Exchange, have prepared interesting circulars on Ft. Dodge, Des Moines & Southern Railway (4s of 1991 and common), Utica & Mohawk Valley Railway (4½s of 1941), and Consolidated Dearborn (common), which the firm believes offer attractive possibilities at current levels. Copies of these circulars may be had upon request from Blair F. Claybaugh & Co.

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Canadian Securities

By BRUCE WILLIAMS

The latest contribution to post-war planning is a proposal entitled "The Mid-Continent and Peace," issued by a joint economic group of Minnesota and Manitoba. It is interesting not only for its importance as another indication of the growing collaboration between this country and Canada in disregard of the international border, but also in view of the original sponsorship of this far-sighted scheme.

Two years ago former Gov. Harold E. Stassen of Minnesota agreed with the then Premier of Manitoba, John Bracken, to set up committees to study the economic problems of the mid-continental area. Mr. Bracken is now the leader of a new political group, the Federal Progressive - Conservative Party, and recent trends in the political field north of the border have placed him in the forefront as an ultimate contender for the Premiership of Canada.

With such leadership on both sides of the border, it would be certain that the problems of the post-war world would be dealt with in a practical commonsense manner with a minimum of politics and an honest endeavor in friendly cooperation to further the interests of both countries.

Turning from the consideration of the future to a review of the market for the past week, it can be said that the possible reaction suggested in previous columns definitely materialized. Dominion direct and guaranteed issues were in general quoted a good point below their recently established highs. The longer term British Columbias were offered at a yield of 3.35% after being 3.30% bid, New Brunswicks at a return of 3.65% after 3.60% bid, and Manitoba 4½'s of 1956 were obtainable at 105½ as against tneir recent high level of 107 bid.

On the other hand, Ontario issues of 1950/60 continued at their peak level owing to persistent demand from one source and scarcity of supply Although inactive, the prices of Quebec issues also were unchanged; the switch recently suggested from Quebecs into British Columbias or New Brunswicks still appears attractive as on the longer terms an increase in yield of about ½% and ¾%, respectively, can still be obtained.

Saskatchewans were still in some supply and the 4½'s of 1960 were finally offered at 91. There was increased interest in Albertas which recovered still further after their recent recession and the 5's were quoted 76½/77½. Canadian Pacifics showed little change with the 5's of 1954 offered at 104¾ and the 4½'s of 1960 at 100¼. In view of the steady retirement of outstanding obligations, investors would do well to consider the purchase of the perpetual 4's which are obtainable at 86.

Internal issues were a little easier in view of an increased supply of free exchange resulting from dividend disbursements. Next month also the free rate will be further influenced by called and maturing Canadian issues held in this country. This should provide an opportunity to obtain internals at attractive levels and relieve momentarily the pressure on the exchange.

It must be borne in mind, however, that the demand for Canadian dollars arising out of our activities in connection with the Alaska Military Highway is constantly increasing and this factor might offset those previously mentioned; in other words, the supply might be quickly absorbed. Canadian gold shares, especially the lower priced variety, found increasing interest here and this section was exceptionally active.

The reaction that has occurred in the market generally might very well continue at least until the end of the drive in connection with our Third War Loan, and as is usual after a recession from a peak level, potential sellers are more anxious to operate than the buyers. In the absence therefore of an unexpected development, it is possible that the decline might proceed a little further, especially in view of the Canadian drive in October. However, it is confidently expected that both loans will be tremendous successes and all markets will be consequently stimulated. At this time, special attention might be given to the lower priced issues.

Interesting RR. Situations

The Sept. 1st issue of "Railroad Securities Quotations," issued by B. W. Pizzini & Co., 55 Broadway, New York City, contains a discussion of five rail siuations which the firm feels offer interesting possibilities at the present time. Copies may be obtained from the firm upon request. Also contained in the publication are quotations on guaranteed rail stocks, underlying mortgage railroad bonds, reorganization railroad bonds, minority stocks, and guaranteed telegraph stocks.

Cgo. Tractions Interesting

The current situation in Chicago Traction securities offers interesting possibilities according to a comprehensive circular prepared by Brailsford & Co., 208 South La Salle Street, Chicago, Ill., members of the Chicago Stock Exchange. Copies of this circular may be obtained from the firm upon request.

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Post-War Inflation—What To Prepare For

(Continued from first page)

of business being done." However, in the light of his further explanation, it does not appear inconsistent with Kemmerer's definition to describe inflation as the product of a carrier wave of monetary expansion modulated by group psychology.

Slow Inflation Is Good Medicine

Monetary expansion may generate slow, long continued rise of prices. Carl Snyder has assembled evidence that the greatest known rise went on throughout the Sixteenth Century and was caused by the importation into Europe of vast stores of silver and gold from Mexico and South America. This appears to have been a well sustained upward climb checked at intervals by relatively slight deflations. It was a century of remarkable activity and growth.

One important inference from this long period and several shorter periods of rising prices is that **a fairly steady and moderate inflation,** far from being objectionable, gives powerful support to productive enterprise. It holds down wages and scales down debts, but works so quietly that it does not create social or financial disturbances. The real troublemaker is not inflation in itself but **rapidity** of price movements, either up or down, upsetting established habits and relationships.

"Money" and "Near-Money"

At one stage of civilized life "money" meant only gold and silver coins. The conception has since been broadened, stage by stage, to include: paper currency redeemable in gold or silver; irredeemable currency; notes and drafts of banks or governmental bodies which circulate freely; bank deposits or credits payable on demand; and, as a rule, time or savings deposits on the ground that they are easily checked out or convertible into demand deposits. All these media are "money" in customary present-day usage; and an increase in their aggregate total is true "monetary expansion."

Just over the edge are important amounts of "near-money." Government bonds in the smaller denominations passed from hand to hand quite freely after World War I and will probably be used in this way even more commonly during and after the present war. Other government bonds, particularly those purchased by individuals under pressure, will be easily turned into cash; they are liquid to a much higher degree than are most securities. By war's end this reservoir of "near-money" will be enormous and will be a powerful inflationary force.

It Is All "Fiat Money"

Since the Roosevelt Administration devalued gold ten years ago and withdrew it from circulation, all money in this country consists of pieces of paper or of ledger accounts. Practically, though not in form, it is all "fiat money."

This plain fact, though known to everyone, has implications not always recognized. In practice, it removes all restrictions on monetary expansion except those imposed by law or set up as policies by government—operating in this country through the Federal Reserve Banks. Laws and policies can be changed overnight. They are weak barriers against easy-money movements and political juggling.

The virtual elimination of gold as an automatic governor of the outflow of fresh money (in the broad sense in which we are using that word) will create a **post-war situation for which we have no peacetime precedent in this country**—at any rate, none later than the Jacksonian era of unrestrained wildcat currency.

Conceivably, gold may be eventually restored to its former place. Alternatively, control may be vested in a monetary authority free from political domination which will command confidence. We assume here, however, that the present system will be maintained.

Business Attitude Governs Rate Of Turnover Of Money

When the volume of money can be expanded without any visible limit, the stage is set for inflation. But nothing happens until the actors start to play their parts. Sometimes they are too cautious to step out and take their cues. In that case, the show does not go on. This is a reasonably accurate summary of monetary history from 1933 to 1940.

Nearly all economists, both New Deal and conservative, fully expected an inflationary upsurge of prices. The reason it did not come was that most businessmen, disturbed by government policies, did not extend their operations. Year after year bank loans remained almost stationary.

What is more important, the velocity, or turnover rate, of demand deposits declined steadily until 1942. Thus, although deposits more than doubled, the increase was largely neutralized by their sluggishness.

Velocity of deposits outside New York City (where it is over-influenced by security transactions) is the best measure we have of the prevailing attitude of businessmen. When they are hopeful and active, the rate goes up; when they are apprehensive, the rate falls off rapidly. The effect is to magnify the concurrent expansion or contraction of bank deposits and to intensify the rise or fall of prices.

Public Attitude Governs Explosive Force Of Inflation

On occasion, widespread public distrust of the future value of money generates explosive force beneath an inflationary movement. The most extreme instance is the wild flight from the mark of the German people in the final stage of their inflation of 1923. However, the tendency to get rid of money by exchanging it for property appears in a milder form whenever prices begin to go up perceptibly—in fact, is plainly manifest right now in this country. The German experience was so glaring and has been so widely publicized that **it has made great masses of people throughout the Western World inflation-minded.**

This state of mind is another new danger in the post-war situation. In both Germany and France inflation began during World War I and developed after the armistice rather slowly at first—indeed, was thought to have been checked more than once. The movement in Germany did not culminate until 1923; and in France, not until 1926. But it would be unsafe to assume that post-war inflation in Europe or America would have to follow a similar schedule. Once it gets going, **its progress is liable to be much faster than in previous cases.**

Inflation Is a World-Wide Problem

Inflation in other countries will have a great deal of influence, through exchange rates and competitive prices in world markets, on our own price structure. We cannot discuss the subject here beyond remarking that the European situation in respect to inflation may not be as bad after this war as it was after World War I; but it will be bad enough. In Asia the situation will be much worse. There has been a big expansion of currencies in the Near East and in India. The acute inflation in China has gone so far that the government is collecting some taxes in foods and other products rather than in money.

II. IT CAN HAPPEN HERE

Most Americans refuse to believe that we are liable to suffer from the same economic ills that afflict other peoples. And, in fact, we have been lucky enough, as a rule, to evade the full consequences of economic blunders. That is because we have enjoyed until recent years the immense advantage of **an expanding economy** which easily repairs losses and sweeps aside mistakes. Unless we regain that advantage after the war much more quickly than now seems likely, we cannot reasonably expect to be immune from a hard attack of drastic inflation.

As in previous reports, we will start with the hypothesis that the war in Europe will be finished before the close of 1944 and in Asia about a year later; but large-scale military expenditures, we assume, will go on indefinitely. In the event that active warfare ceases much earlier or much later than these assumed dates, the estimates below will have to be modified accordingly.

Price Movements in Wartime

To orient thinking on this question, it will be helpful to review what has occurred during and shortly after other great wars. Dr. Henry Oliver, of Yale, has assembled the data below on wholesale prices in the three great conflicts since 1790 prior to the present war.

During the Napoleonic Wars British and German prices each went up about 75%; American prices, close to 100%.

During the Civil War prices in the North rose 150%.

During and after World War I through 1929 wholesale price advances were: in Great Britain 223%; in the USA, 145%; in France, 500%; in Germany, 1600%. Thereafter French prices climbed another 250% and German prices soared to the sky.

So far in the present war, extending into the Spring months of 1943, advances in wholesale prices based on 1939 have been:

United Nations	
USA	35%
Canada	32%
Britain	58%
Axis Nations	
Germany	9%
*Japan	29%
Neutrals	
Sweden	71%
Switzerland	97%

*Up to Dec. 1942.

Plainly, price controls in the Axis countries, particularly Germany, have been rigorous; in the Anglo-Saxon countries, much more effective than in the earlier wars; and in the two neutrals, relatively weak, although Sweden has promulgated what would appear to be a well-devised price control system.

On its face the record in this war might be thought reassuring. But Professor Slichter has pointed out that **the more strongly goods are rationed and prices repressed during the war, the greater will be the force of pent-up demands and accumulated savings when war ends.**

This observation is reinforced by the fact that during World War I, Germany clamped down prices, after an initial spurt in the first year, and held them steady until late in the Spring of 1918. But when the real rise started this wartime repression gave way like a burst dam before the onrush of irresistible inflation.

Since our own entry into the war, and especially since May, 1942, most wholesale prices in this country have been maintained on nearly a dead level. Only the prices of farm products (up 26%) and to a lesser degree the derivative prices of foods (up 15%) have gotten out of hand.

A reasonable expectation is that wholesale price controls, which are relatively easy to enforce, will be well maintained through the rest of the war and that **the overall index at war's end should not be more than 10% above the present level.** Beneath the surface, however, inflationary force goes on gathering strength.

The Money Supply in Two World Wars

We can get further light on what is now going on from the accompanying comparison with 1914 to 1920. The question marks in the two tables we shall try to fill in a little further on in this report.

TABLE 1—A COMPARISON OF MONETARY EXPANSION

(The Roman numerals at the heads of columns refer to World Wars I and II, respectively. Figures are in billions of dollars)

	—Currency—		—Deposits—		—Total Money—	
	I	II	I	II	I	II
At the outset (1914 or 1939)	3.5	7.0	18.5	54.0	22.0	61.0
Four years later (1918 or 1943)	4.5	17.1	27.9	88.4	32.4	105.5
Increase from outset	28%	145%	51%	64%	47%	75%
Six years later (1920 or 1945)	5.5	?	37.3	?	42.8	?
Increase from outset	57%	?	102%	?	95%	?

TABLE 2—A COMPARISON OF BANK ASSETS

	Loans and Discounts		—Investments—	
	I	II	I	II
At the outset (1914 or 1939)	15.4	21.3	5.9	28.3
Four years later (1918 or 1943)	22.5	*23.9	10.0	*54.2
Increase from outset	46%	12%	69%	90%
Six years later (1920 or 1945)	31.0	?	11.1	?
Increase from outset	100%	?	88%	?

*Dec. 31, 1942.

Meanwhile, two points are especially worth noting. First, monetary expansion has been proportionately much larger this time than it was twenty-five years ago. There is a big difference between a 47% rise in 1914-18 and a 75% rise in 1939-43. Second, the rate of expansion in 1914-20 accelerated greatly as it approached its climax. The volume of increase was about the same in the last two years as in the first four years. This is a characteristic of inflation to be kept in mind.

We can get a clearer comparative view by going back to the points of origin of the gains in deposits, as shown in Table 2. It would be hard to find a more striking picture of the difference between the two periods in government finance and in banking practice.

In the first World War the Treasury was able to sell bonds mainly to the public and leaned lightly on the banks. The expansion of deposits was based on commercial loans and discounts. At the present time, on the other hand, loans are on the same level as twenty-five years ago, while investments, chiefly in governments, are more than five times as large.

This war is being financed, to put it plainly, up to about one-third of the outlay to date, **by the timeworn inflationary practice of trading government bonds for bank credits to government deposits.** Monetary expansion on this basis is far less sound and much more rapid than was the expansion of 1914 to 1920.

The comparison sketched above creates a strong presumption amounting to a conviction, in our judgment, that the coming post-war inflation will make the price rise of 1918-20 look small.

Monetary Expansion in 1941-42

We turn now to the recent record. An informative article on "Wartime Savings and Post-War Inflation" by E. T. Weiler appears in the July issue of "Survey of Current Business." The Department of Commerce deserves the thanks of business interests for presenting this factual appraisal of the inflationary threat **after the war** at a time when it is being deliberately played down by the Treasury Department. The tabulations below are abstracted from this article.

During the two calendar years 1941 and 1942 government bond purchases (in billions of dollars) were made by:

Banks	29.0	51%
Ins. companies	4.0	7%
Other corporations	10.8	19%
Individuals, including unincorporated businesses	13.4	23%
Totals	57.2	100%

The Federal Reserve Board Bulletin for July adds to the foregoing information that in the first six months of 1943 bank purchases were down to $11 billions, or 40% of the increase in government debt, while other investors bought about the same amount as in the preceding six months. So far as it goes, this is clearly a favorable development. Whether it will continue is another question.

The increase in supply of money (in billions of dollars) during 1941 and 1942 took the following forms:

Federal Government deposits went up	8.1
State and local Government deposits went up	0.6
Privately-owned demand deposits went up	14.3
Privately-owned time deposits went up	0.6
Currency outside banks	6.6
Total	30.2

Purchases of bonds by banks were obviously the chief factor in bringing about the rapid enlargement of money. Their combined loans and other investments actually decreased substantially. Setting aside minor complications, there is a strong tendency under present conditions toward fairly close correspondence between bank takings of bonds and monetary expansion.

Gross savings by individuals and corporations during the same two years were about $50 billions; of this amount 56% were invested in government bonds while 44% piled up in the privately-owned deposits and currency listed above.

Unless these unexpended balances are absorbed by heavier taxes or compulsory purchases of bonds, "savings" in the two forms here referred to will inevitably keep on growing at an accelerating rate. The **Survey** article forecasts that they will come to about $100 billions by the end of 1943.

The article is notable for the stress it places on the inflationary effects in the post-war economy of private holdings of government bonds—which we have referred to as "near-money." Corporations will use the bonds in their treasuries to finance reconversion. Similarly, individuals will feel—unless restrained by fear of a post-war depression—that their bonds are expendable for the goods they could not buy during the war.

Whenever the war bonds held by business concerns or individuals are redeemed by the government or pass into bank portfolios, they will indirectly promote further increases in bank deposits. The **Survey** article is right in concluding: "The sale of government bonds to non-banking units, even if the bonds are purchased out of current income, **is not a solution to the problem of preventing post-war inflation."** (bold face ours.)

As a matter of fact, we may add, **there is no solution** of the problem now in the making or in prospect. The practical question to consider is not **whether** post-war inflation is coming but only **how much and when.**

III. HOW MUCH? WHEN?

If inflation, then, is on the way and not likely to be stopped, **all businessmen had better think hard** about the two vital questions: How high are prices liable to go? When and under what conditions will rapid price movements occur?

As a preliminary question, often asked, we have to consider whether the banking system can go on indefinitely to make large-scale purchases of government bonds. Are there not legal requirements as to reserves which will effectually check monetary expansion?

No Limits in Sight

To this question we get a hair-raising reply in a recent article by Prof. James C. Dolley, of the University of Texas. He figures that the Federal Reserve Banks, by utilizing their free gold under existing reserve requirements, could expand their deposits by $33 billions. If the Federal Reserve System, as a unit, were to devote this buying capacity to open market purchases of bonds now held by commercial banks, thereby enlarging excess reserves, the banks could take from the government $165 billions of bonds.

But this is only the beginning. The Federal Reserve Board of Governors have authority to reduce the reserve required of member banks, and this would raise their bond-buying capacity to $321 billions.

Finally, the Federal Reserve Banks could carry their reserves in lawful money instead of gold, which would enlarge the possible purchases of member banks **to $834 billions.**

Evidently the laws governing bank reserves are liberal enough as now written to provide the Treasury with ample cash—provided, of course, that prices do not skyrocket faster than loans.

The way has now been cleared for some crude calculations of the probable extent of monetary expansion through the rest of the war.

Perhaps $200 Billions at War's End

Taking the simplest question first, we have seen in Table 1 the extraordinary rise in currency—now almost double the volume at the end of 1940, which was itself a record-breaker. The causes are not wholly clear. Whatever they may be, it is reasonable to expect that the demand for pocket money will gradually slow down and will reach its top not far above $20 billions.

The next question is the probable size of deposits. Forecasts of war expenditures, if the fighting continues in Europe through 1944 and in Asia through 1945, indicate that the public debt at war's end will be between $275 and $300 billions—or, let us say, $175 billions more than the $107 billions at the beginning of this war.

If the banks have to take 50%, as in the past, new deposits of $87.5 billions, more or less, will be created. Adding this sum to the $88.4 billions in December, 1942 makes the total of bank deposits at war's end somewhat over $175 billions.

We still have to take into account currency to be in circulation, which we have placed at somewhat over $20 billions, making the grand total of the money supply $195 billions plus—or we

(Continued on page 1010)

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Engineers Public Service

Engineers Public Service has recently topped the list of the day's "active leaders," reaching a three-year high of 7⅞. The company recently issued its statement for the twelve months ended July 31st, showing consolidated share earnings of $1.45, compared with $1.04 in the previous period. System gross was $81,086,723 against $69,971,961 in the earlier period, a gain of nearly 18%.

Engineer's properties are widely scattered, in Washington, New Mexico, Wyoming, Missouri, Iowa, Kansas, Texas, Louisiana, Georgia, North Carolina and Virginia. The small Key West, Florida, property was recently disposed of and the equity interest in Puget Sound Power & Light is being reduced from almost 100% to 3%, in the September 13th reorganization of that company. The interest in Western Public Service (Wyoming) has also been largely disposed of, although one small property is apparently still retained. The more important properties remaining in the system are the following:

	1942 Rev. (Millions)
Virginia Electric & Power	30
Gulf States Utilities	13
El Paso Electric	5
Savannah Electric	4

Because of its widespread distribution, the SEC last October gave the company a year to divest itself of all properties except Virginia Electric & Power, and even that company was ordered to dispose of its gas and transportation business. Engineers appealed to the Federal courts, and for a time it appeared that its case might be the first to reach the Supreme Court, as a test of the constitutionality of the Utility Act. The company employed Prof. Waterman of Michigan University to make a statistical comparison of holding company systems with independent utility companies. The resulting 180-page study, based on a scientific tabulation of available data, made a strong case for the holding companies, presenting evidence to show that consumers and investors in the subsidiaries are as well treated as those in the independent companies. The SEC refused to accept the study in evidence. The company's appeal was argued before the U. S. Court of Appeals for the District of Columbia last May, but since that time Judge Fred M. Vinson had resigned to take over Mr. Byrnes' old job in the office of Economic Stabilization. It may therefore prove necessary to re-argue the case.

Engineers had apparently decided to comply partially with SEC orders. Like other holding companies, it is trying to retire senior securities, which consist of three issues of preferred stock, totalling about 418,000 shares (there are 1,908,968 shares of common). However, the SEC last February refused to grant the company permission to acquire some 35,000 shares of preferred stock, with some of the cash obtained from sale of Western Public Service properties. The commission suggested that the money should be invested in subsidiaries to permit them to reduce their debts and improve their position. More recently, Engineers has asked permission to dispose of its investment in El Paso Natural Gas (not a subsidiary) by inviting preferred stockholders to tender their stock in exchange for El Paso common, plus cash. It was estimated that this might retire about 25,678 shares. The SEC has not yet rendered its decision.

Engineers obtains the greater part of its parent company income from common dividends, to which Virginia Electric and Gulf States Utilities are the biggest contributors. In recent years Engineers has taken out enough to pay its own preferred dividends and leave about 50 cents a share on its own stock, but in 1942 dividends were sharply reduced and only 6 cents was reported on a parent company basis (as contrasted with 96 cents on a consolidated basis).

However, there are no important "blockages" of income (Puget Sound's blocked earnings are already excluded from the consolidated statement, in anticipation of loss of the equity in September) and large additional dividends could probably be drawn from subsidiaries this year, if desired, since cash needs for construction requirements should no longer be pressing. However, it is unlikely that dividends will be forthcoming on Engineers common stock, since cash will doubtless be devoted to retiring preferred stock. Eventually, if the SEC will permit retirement of the preferred stocks on an exchange tender basis—which method is gaining in popularity as a practical solution—there should be worthwhile equities remaining for the common stock. Standard & Poor's recently estimated the liquidating value of the preferred stocks at 149, and the common at 11.

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Tomorrow's Markets Walter Whyte Says—

(Continued from page 1000)

sisted in disregarding war news. I can't explain it. I merely report it. It is obvious the market is more concerned with developments behind the war front than events on the battlefield. This naturally brings the whole thing down to the post-war world. And right there you come up against a stone wall that no amount of battering can break down.

* * *

On one hand you have a Churchill who said he does not intend to participate in any break up of the British Empire and on the other hand you have a Wallace who wants democracy brought to everybody in the world. Both objectives cannot be reached. They are both antagonistic to each other. Presiding over the post war plans we have a mentally bankrupt State Department. Interwined are the proponents of a "soft peace" and those who follow the line of "unconditional surrender." Behind all these come the befuddled businessmen who want to plan for the future but haven't the faintest idea what the future holds for them.

* * *

The market reflecting all these currents and cross currents acts accordingly. For the market in its own way merely mirrors the opinion of the best informed. And the best informed are looking at the market and the conditions it reflects with as much puzzlement as you and I.

* * *

Technically the market has broken its long bull market trend when it penetrated the 135 level last July. Since then it has rallied to just under 140 then reacted again to about the 135 point. From about the middle of August to the present prices have crept up to where today they are back to about the 138 figure. This performance has caused the pessimistic inclined to feel that the old highs will again be penetrated.

* * *

Unfortunately the market seldom follows mass opinion. The price trend is coldly realistic. And present day realism calls for a belief not in highfalutin ideologies but in hard practical solutions. I don't think these solutions will make for immediately higher prices. It is for that reason last week's column advised the abandonment of long positions and the cancellation of buying orders not filled.

* * *

Taking a long view, the market will probably go higher. But before that happens a reaction which can take the entire rally away and add to losses seems indicated. So even if I think prices will eventually go higher I see no point in sitting through a reaction. When this reaction appears will be ample time to do buying. Offhand I would say that the market has already made a temporary top and that the reaction will carry the averages down to about the 130 level.

A.R., Minneapolis, Minn. When advising buying, with a stop I mean for the stop to act as a safety valve. Under present conditions almost anything can occur and to hold a position without allowing for a level beyond which it would be unwise to hold would be the height of foolishness. In Borg Warner, which you cite as an example, the stock was a buy if available at 32. But it would no longer be attractive if it broke 31. For in breaking that figure it would indicate, if not an immediate reaction, then a period of dullness in which money would be needlessly tied up.

* * *

More next Thursday.

—Walter Whyte

[*The views expressed in this article do not necessarily at any time coincide with those of the Chronicle. They are presented as those of the author only.*]

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Railroad Securities

(Continued from page 1001)

for 7½ months, probable further increase in labor costs for both operating and non-operating union personnel, and further tax increases (86% in the first six months), earnings should reach a new peak in the company's history, possibly as much as $32 to $35 million, again excluding the Omaha.

Without taking any adjustments for retirement of debt with large cash resources, earnings since 1940, with 1943 estimated, as applied to the proposed capitalization, work out as follows:

	1940	1941	1942	1943 Est.
1st mtge. interest—times earned	2.61	4.17	6.21	6.58
Income interest—times earned	0.91	2.29	4.12	5.82
Overall coverage	0.96	1.53	2.23	2.78
Earnings per share—preferred	---	$5.20	$13.29	$18.69
Earnings per share—common	---	0.24	8.23	13.58

Such coverage as shown in the above table is probably greatly underestimated, due to the incidence of cash. The North Western as a consequence of war swollen earnings of recent years, has built up its cash to a point where as of June 30, 1943, gross free cash totalled $82.9 million in contrast to $37.2 million on June 30, 1942. By gross free cash is meant cash, temporary investments, special deposits, and receivables in excess of a year ago, less tax accruals for both local and Federal purposes. Again these figures do not include the Omaha, whose gross free cash as of the same date was in excess of $8 million. For North Western alone, gross free cash should reach well over $100 million by the 1943 year end. Space does not permit a detailed projection of the possible utilization of this cash, but it would appear that all senior debt other than $55.7 million new 1st 4s, and equipment trust certificates, might be retired and as much as $25 to $30 million cash remaining over and above working capital needs, used to retire possibly as much as $50 million par value of income 4½s. Brief comment on the each new security to emerge from reorganization follows:

1st 4s, 1989 (94). If our two assumptions are correct, namely that all debt other than $55.7 million of the new 1st mtge. 4s and the equipment trust certificates are to be retired with surplus cash funds, and that post-war earnings available for charges will range between $10 and $20 million annually, then it is statistically demonstrable that these new first mortgage bonds are entitled to a rating higher than those of the Union Pacific and equal to those of the Chesapeake & Ohio. When seasoned, we expect this issue to rank among the highest grade railroad mortgage bonds outstanding.

Income 4½s, 1999 (49). The status of this issue investmentwise depends to no small degree on the correctness of our assumptions mentioned in the preceding paragraph plus the correctness of our projection of the use of some $25 to $30 million of cash funds to retire approximately $50 million of the $105 million of these bonds to be outstanding immediately following reorganization. Speculative possibilities of this issue lie in (1) the impact marketwise of the utilization of this cash if used to retire bonds, and (2) the improvement of the bond's quality if such an amount can be retired as suggested and fixed charges consequently reduced from $4.7 to $2.5 million. If realized, this should permit, after reduction of $2.5 million for the capital fund, of an overall coverage of 1.5 times even in a depression year, a coverage which, prior to the loss of rail credit, permitted junior rail issues to sell at par. Should such a coverage be actually achieved, the investment rating of the bond should be satisfactory, despite the absence of a fixed coupon. These income bonds appear to offer uncommon speculative attraction.

Preferred (40). Arrears on this issue will total $14.60 per share at the end of 1943, and assuming delivery of the new securities early in 1944, these arrears should be paid on April 1st. Such a payment is considered as a return of capital by the Treasury Department, of major importance to the investor in the current period of high tax rates. If correct in our projection of use of cash, sufficient debt senior to the preferred might well be retired to permit of earnings of roughly $2 per share in a depression year and between $7 and $10 a share in a year of marked industrial activity. Under no circumstances can the stock be labeled other than highly speculative, but for speculators not subscribing to a short war thesis, especially as the conflict with Japan may last a not inconsiderable time, this issue may offer some appeal, especially as a long war with Japan insures earnings of between $30 and $35 million annually for the North Western with from $10 to $20 million available for debt retirement, thus improving the position of the stock still further.

Common (18). This issue is admittedly far removed from any investment status. Even with tremendous totals of debt retirement projected, there is insufficient earning power for the stock except in boom periods, unless of course the war should continue for many more years than now seems likely, and further sizeable debt retirements be undertaken.

It must be admitted that any issue having voting power in such a large system has some measure of residual value. However, such value is admittedly quite small at the present time despite abnormal earnings of between $13 and $14 per share. This is an issue essentially for the nimble speculator.

Veteran Bank Men Cited By Brown Bros. Harriman

Thatcher M. Brown, senior partner of Brown Brothers Harriman & Co., 59 Wall St., New York City, presented a watch to William H. Hands on the occasion of the latter's 50th anniversary of employment with the bank, which coincided with the 125th year of the institution's founding. Howard P. Maeder and Herman Sachtleben, who have been with the banking house for 40 years, were also presented with testimonial watches.

DIVIDEND NOTICES

American Manufacturing Company

NOBLE AND WEST STREETS
BROOKLYN, NEW YORK

The Board of Directors of the American Manufacturing Company has declared the regular quarterly dividend of $1.25 per share on the Preferred Stock and a dividend of 50c per share on the Common Stock of the Company. Both payable October 1, 1943 to Stockholders of record at the close of business September 15, 1943. The stock record books will be closed for the purpose of transfer of stock at the close of business September 15, 1943 until October 1, 1943.

ROBERT B. BROWN, Treasurer.

AMERICAN CAN COMPANY

CANCO

PREFERRED STOCK

On July 27, 1943 a quarterly dividend of one and three-quarters per cent was declared on the Preferred Stock of this Company, payable October 1, 1943, to Stockholders of record at the close of business September 16, 1943. Transfer Books will remain open. Checks will be mailed.

R. A. BURGER, *Secretary.*

EATON & HOWARD

BALANCED FUND

The Trustees have declared a dividend of 20 cents per share payable Sept. 25, 1943, to shareholders of record at the close of business Sept. 17, 1943.

Sept. 9, 1943 24 Federal St., Boston

THE ELECTRIC STORAGE BATTERY CO.

Exide BATTERIES

The Directors have declared from the Accumulated Surplus of the Company a dividend of Fifty Cents ($.50) per share on the Common Stock, payable September 30, 1943, to stockholders of record at the close of business on September 13, 1943. Checks will be mailed.

H. C. ALLAN, *Secretary and Treasurer.*

Philadelphia, September 2, 1943.

New York & Honduras Rosario Mining Company

120 Broadway, New York, N. Y.

September 8, 1943

DIVIDEND No. 364

The Board of Directors of this Company, at a meeting held this day, declared an interim dividend for the third quarter of 1943, of Sixty-five cents ($.65) a share on the outstanding capital stock of this Company, payable on September 25, 1943, to stockholders of record at the close of business on September 15, 1943.

WILLIAM C. LANGLEY, Treasurer.

DIVIDEND NOTICES

CELANESE

CORPORATION OF AMERICA
180 MADISON AVE. · NEW YORK, N. Y.

THE Board of Directors has this day declared the following dividends:

5% CUMULATIVE SERIES PRIOR PREFERRED STOCK

The regular quarterly dividend for the current quarter of $1.25 per share, payable October 1, 1943 to holders of record at the close of business September 17, 1943.

7% CUMULATIVE SERIES PRIOR PREFERRED STOCK

The regular quarterly dividend for the current quarter of $1.75 per share, payable October 1, 1943 to holders of record at the close of business September 17, 1943.

7% SECOND PREFERRED STOCK

The regular quarterly dividend for the current quarter of $1.75 per share, payable October 1, 1943 to holders of record at the close of business September 17, 1943.

COMMON STOCK

A dividend of 50¢ per share, payable September 30, 1943 to holders of record at the close of business September 17 1943.

JOHN A. LARKIN,
Vice-Pres. & Sec'y.

September 7, 1943.

IRVING TRUST COMPANY

September 2, 1943

The Board of Directors has this day declared a quarterly dividend of fifteen cents per share on the capital stock of this Company, par $10., payable October 1, 1943, to stockholders of record at the close of business September 8, 1943.

STEPHEN G. KENT
Secretary

LOEW'S INCORPORATED

"THEATRES EVERYWHERE"

September 3, 1943

THE Board of Directors on September 1st, 1943 declared a dividend at the rate of 50c per share on the outstanding Common Stock of this Company, payable on the 30th day of September, 1943 to stockholders of record at the close of business on the 17th day of September, 1943. Checks will be mailed.

DAVID BERNSTEIN,
Vice President & Treasurer

OFFICE OF LOUISVILLE GAS AND ELECTRIC COMPANY

CHICAGO ILLINOIS

The Board of Directors of Louisville Gas and Electric Company (Delaware) at a meeting held on September 3, 1943, declared a quarterly dividend of thirty-seven and one-half cents (37½c) per share on the Class A Common Stock of the Company, for the quarter ending August 31, 1943, payable by check September 25, 1943, to stockholders of record as of the close of business September 15, 1943.

At the same meeting a dividend of twenty-five cents (25c) per share was declared on the Class B Common Stock of the Company, for the quarter ending August 31, 1943, payable by check September 25, 1943, to stockholders of record as of the close of business September 15, 1943.

G. W. KNOUREK, Treasurer.

MARGAY OIL CORPORATION

DIVIDEND NO. 54

The Board of Directors of the MARGAY OIL CORPORATION has this day declared a dividend of twenty-five cents a share on the outstanding stock of the corporation of the issue of 160,000 shares provided by amendment to the certificate of incorporation of April 27, 1926, payable October 9, 1943, to stockholders of record at the close of business September 20, 1943.

E. D. OLDENBURG, Treasurer.
Tulsa, Oklahoma, September 1, 1943.

WESTERN TABLET & STATIONERY CORPORATION

Notice is hereby given that a dividend at the rate of $.50 per share on the issued and outstanding shares without par value of the Common Stock of Western Tablet & Stationery Corporation has been declared payable on September 30, 1943, to the holders of record of such shares at the close of business on September 17, 1943.

E. H. BACH, Treasurer

THE TEXAS COMPANY

TEXACO

164th Consecutive Dividend paid by The Texas Company and its predecessor.

A dividend of 50¢ per share or two per cent (2%) on par value of the shares of The Texas Company has been declared this day, payable on October 1, 1943, to stockholders of record as shown by the books of the company at the close of business on September 3, 1943. The stock transfer books will remain open.

L. H. LINDEMAN
Treasurer

August 18, 1943

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Glyn Mills & Co.

Australia and New Zealand

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Paid-Up Capital	£8,780,000
Reserve Fund	6,150,000
Reserve Liability of Prop.	8,780,000
	£23,710,000
Aggregate Assets 30th Sept., 1941	£150,939,354

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General Manager
Head Office: George Street, SYDNEY

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Canadian Pacific Has Interesting Possibilities

The Canadian Pacific Railway Company offers interesting possibilities according to a report prepared for Penington, Colket & Co., 70 Pine Street, New York City, members of the New York and Philadelphia Stock Exchanges. Copies of this interesting report, discussing the situation in detail, may be obtained from the firm upon request.

Gisholt Co. Interesting

Gisholt Machine Co. offers an attractive situation, according to a memorandum prepared by Herzog & Co., 170 Broadway, New York City. Copies of this interesting memorandum may be obtained upon request from Herzog & Co.

Municipal News & Notes

Only 10 of New Jersey's 566 municipalities are not operating on a cash or "pay-as-you-go" basis in accordance with the State's cash-basis laws, according to State Treasurer Robert C. Hendrickson and Alvin A. Burger, research director of the New Jersey State Chamber of Commerce.

In an article written jointly and published in the current issue of "The National Municipal Review," they assert the financial standing and general administration of New Jersey's municipalities and county governments have undergone a process of improvement "probably unmatched by any other State in the Union."

They declared the gross-debt burden of municipalities, counties and school districts of the State declined from $1,212,000,000 in 1932 to $810,000,000 in 1942, a reduction of almost one-third, which they said compared with a nation-wide government gross-debt reduction of 8.5% in the same period.

In 1934, they said, there were 94 local government units in widely varying degrees of debt default. Today, they stated, there are only four small municipalities in default.

The cash-basis laws were enacted in 1934, 1936 and 1938.

Chicago School Board Defaults Part of Int. Coupon

The Chicago Board of Education defaulted 1/11th of the coupon due Sept. 1 on its outstanding issue of $5,500,000 of refunding 4¾% bonds, dated Sept. 1, 1934, and due Sept. 1, 1954. Of the $23.75 coupon due on each $1,000 bond, the board paid $21.59 and passed payment on $2.16.

Action of the board in paying only 10/11ths of the coupon is in line with previous expectations and results from a decision handed down by County Judge Edmund K. Jarecki last July. The court in a taxpayers' suit ruled in effect that 1/11th of the $5,500,000 issue was invalid.

A month ago the board defaulted on the entire coupon due Aug. 1 on its outstanding issue of $900,000 of refunding 4¾% bonds, dated Feb. 1, 1935, and due Feb. 1, 1955. This default also stemmed from Judge Jarecki's decision.

One-eleventh of the $5,500,000 issue and the entire $900,000 flotation were sold to refund bonds which originally had been issued in 1931 to pay off 1928 and 1929 tax anticipation warrants of the board.

In his decision, Judge Jarecki held that tax warrants could be redeemed only from the proceeds of taxes levied in the years for which the warrants were issued.

His decision followed the principle handed down by the Illinois Supreme Court in the so-called Berman case. In that case, the State court ruled that bonds could not be issued to pay tax anticipation warrants.

The $5,500,000 issue of 4¾s of Sept. 1, 1954, embraces $500,000 of obligations that were issued to refund $500,000 of the board's second series of educational fund bonds. The latter flotation, dated Dec. 15, 1931, was authorized in the amount of $5,200,000, although only $2,213,000 were issued and sold, proceeds of which were used to pay principal and interest on 1928 and 1929 tax warrants. Of the $3,213,000, all but the $500,000 refunded in 1934 were redeemed.

War Conditions Force States to Protect Highway Funds

More legislation to prevent, abolish, or reduce the diversion of highway funds was passed during the first six months of 1943 than in any similar period of the past 20 years, the Automobile Club of America reported Sept. 7.

The pre-war trend toward the protection of highway funds was accelerated, Elmer Thompson, Secretary of the club, asserted, by war-time factors, chief of which was the serious drop in State gasoline taxes and motor vehicle registration receipts, which made protection of the remaining revenue essential. A second factor was the attempt of the States to be prepared financially for the prompt resumption of currently halted highway improvement programs just as soon as the war is over.

The club reports that the legislatures of four States, Connecticut, Maine, Pennsylvania and Washington, approved amendments to their State constitutions to prohibit the diversion of State automotive taxes from highway purposes in the future. In Maine and Washington the proposed amendments will be placed before the voters for ratification at the 1944 general elections, while passage by another legislature is required in Connecticut and Pennsylvania before the amendments are submitted to the people for their approval.

The legislatures of Arkansas, Indiana and Washington enacted statutes discontinuing all diversions from their highway funds, while in four other States the legislatures enacted laws substantially reducing the amount of highway fund money that could be diverted into other channels. These States included Alabama, Delaware, North Carolina and South Carolina.

"In the past, 43 States have diverted automotive tax money from their road funds," Mr. Thompson said, "but in recent years there has been a complete reversal of this policy by most of these States. They have discovered the use of highway tax money for other purposes than roads is both economically unsound and unpopular. The increasing number of States that have eliminated or reduced their road fund diversions is the result.

"Today 14 States, including California, Colorado, Idaho, Iowa, Kansas, Michigan, Minnesota, Missouri, Nevada, New Hampshire, North Dakota, Oregon, South Dakota and West Virginia expressly prohibit diversion of highway funds in their constitutions, and four other States have taken the first step toward amending their constitutions similarly.

"An additional 11 States by statute devote their automotive tax receipts exclusively to highway maintenance, construction and debt service on highway bonds. In five States, although diversion still exists, the amounts taken from the highway funds have been reduced substantially in recent years.

"The need for protecting declining highway revenues and the movement to build up post-war reserves in their highway funds were important considerations in the record number of laws curtailing diversion passed in 1943. The successful experience of the 14 States which have amended their constitutions to protect their road funds also had a bearing.

"Some of this experience goes back 23 years. Minnesota, in 1920, was the first State to provide ironclad protection for its road funds, followed by Kansas and Missouri in 1928. In these States, as well as in others since, the constitutional protection of the highway funds has proved financially successful and extremely popular with the people."

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Bank and Insurance Stocks

This Week—Bank Stocks

By E. A. VAN DEUSEN

In many respects choice bank stocks may be considered the aristocrats of the security market. For several generations they were the prime favorites of wealthy investors and have formed the basis of numerous fortunes. They are still prime favorites with this class of investor, but in recent years they have also been made available to a much wider section of the investing public. Recognition of the attractive investment quality of bank stocks by this wider group may be said to have started about 1918. Since then a great deal of educational work has been done, innumerable dealers all over the country have been attracted to the business, active trading markets have been developed and bank stocks have become increasingly popular with the investing public. It is true, of course, that the confidence of investors underwent a severe strain when the speculative excesses of the 1929 era terminated in an unprecedentedly ruinous market crash. New York City bank stocks, as measured by Standard and Poor's weekly index, dropped precipitously in 1929 from the October high of 660.1 to 319.1 in November, they recovered to 412.8 in April 1930, and then see-sawed down to the June 1932 low of 60.3. The total decline from July 1929 to June 1932 was approximately 91%.

In the years prior to 1929, the index climbed steadily and strongly from 66.8 in January 1918 (the start of the index) to 283.6 in November, 1928. It then, in eleven months rocketed to the aforementioned peak of 660.1. This phenomenal boom resulted, in large part, from the huge market profits which the banks were reported to be earning through their security affiliates.

Subsequent to the "Moratorium," the "Banking Act of 1933" and the "Banking Act of 1935" were enacted by Congress for the purpose of correcting some of the inherent weaknesses of the banking system. Important points included: the segregation of security and investment affiliates from banks of deposit; the insurance of bank deposits, and the elimination of interest on demand deposits. The last point is of especial significance to bank stock investors, because demand deposits of New York City member banks constitute some 90% of their total deposits and annual interest charges formerly aggregated a very substantial expense item. It is also pertinent to note that on July 1, 1937, the "double liability" of holders of the stocks of National banks and New York State chartered banks ceased, in accord with provisions in the 1933 Act and the New York State Banking Act of 1936.

So much for history and the perspective it provides. Currently there are many factors in the banking situation which point to choice bank stocks as particularly desirable investments at this time. Consider for example, the market level. Since the low of 1932 and the bank moratorium of 1933, bank stocks have advanced only moderately, and, as previously reported in this column, are today a long way behind the general market, as measured by the Dow Jones averages having appreciated only 55.6% compared with 232.6% for the latter. Strangely, too, bank stocks in April 1942 dropped back to, and even beneath, the 1932 low to an all-time low of 59.2.

New York City's leading commercial banks today have clean slates and are thoroughly sound and liquid. Their earnings are at the highest level in many years, despite prevailing low interest rates. They are invested practically to the limit and for some time now have been operating with almost no excess-reserve cushion. Such idle funds yield no revenue and do nothing to help the war effort. If funds are needed in a hurry, the banks have ample amounts of highly liquid short-term investments which can quickly be converted into cash at the Federal Reserve banks or sold on the market. As a matter of fact, considerable surprise was recently occasioned when some member banks exercised their rediscount privilege at the Federal Reserve Bank. Their deposits and earning assets are at the highest level in history, and the trend is still upward.

With regard to the Government's bond drive in September, it should be noted that commercial banks are excluded from this, but it has been stated that the Treasury plans another bond issue, probably in October, designed for the commercial banks of the country. Banks all over the country, as well as in New York City, have shown a commendable disposition to co-operate fully with the Government in its war-financing plans and to invest as fully as practicable in the Government's offerings. According to the National City Bank Letter of July, 1943, this attitude on the part of bankers ". . . . appears to be due partly to a growing acceptance of the present interest rate structure as likely to prevail at least for the duration of the war. The corollary of this is a belief on the part of many bankers that Government bonds can be purchased without risk of loss. It is due partly also to a wider understanding of the advantages from an earnings standpoint of full investment and of reliance upon an adequate portfolio of bills and certificates for adjustment of reserve position."

As regards the post-war outlook, it appears logical to expect that for many years the volume of earning-assets, particularly Government bonds, will be maintained at a high level and that consequently earnings and dividends will be well sustained. The book-values of leading bank stocks, which have steadily advanced during the past eight years, will undoubtedly continue their upward trend. Reconversion of industry from war goods to peace godds will create, in all likelihood, a healthy demand for bank credit. In this connection it should be noted that the new Regulation 15

(Continued on page 1011)

Post-War Inflation— What To Prepare For

(Continued from page 1007)

might better call it something in the vicinity of $200 billions.

This is all very rough figuring, not designed for statistical nicety but simply to give some definiteness to judgments as to the extent of inflation in prospect.

The results of the figuring are likely, in our opinion, to prove **understatements rather than overstatements.** They make no allowances for rising prices during the war, which may force sizable increases in the present estimates of government expenditures at the same time that they enlarge private costs and bank balances. Nor do they allow for the anticipated resistance of the public to repeated bond-selling drives, which may make it necessary for the banking system to swallow even more than our assumed 50%.

However, we need not speculate on these possibilities. The figures, as they stand, are startling enough to give pause to any businessman who may have been inclined to think lightly of the coming inflation.

How Much "Near Money" at War's End?

So far about 40% of war bond issues have been absorbed by individuals and non-financial companies. If this proportion is maintained and if these purchases are kept intact throughout the war, the holdings of the public, excluding banks and insurance companies, at war's end will approach $100 billions. (Note that this is **on top** of the astronomical figures just given for deposits and currency.) As previously brought out, these publicly held bonds are potential inflators of money.

Another sizable source of additional money consists of installment sales and personal loans. Credit extended to individuals in these forms is the equivalent of fresh cash turned over to them. The total of such credit at its peak in 1941 was $9.5 billions. During the war it has been severely curtailed, and this policy will presumably be enforced up to the end. In the first year of peace, however, several billions will certainly be provided for deferred purchases and other purposes.

It might be said with truth that in principle all kinds of marketable securities and all forms of short-term credit are "near money" in a like sense. However, government bonds and personal credits deserve special treatment in that they will be immediately available for financing purchases right after war's end and will be used on a big scale.

The Money Will Not Lie Idle

Even with all the enormous supply of money at hand for peacetime spending, it might in theory lie idle. During the stagnant 1930's it is argued, plenty of money was available for business expansion, yet was not put to work. Why should we not anticipate a similar state of affairs after the war?

The analogy does not stand up under examination. The easy money of the 1930's, except for a small part of the potential supply, never came into being. The incitements to inflation were temptingly displayed but businessmen walked away from them.

The money supply at war's end, on the other hand, **will be existent—ready for spending.** The currency will be in someone's pocketbook or till or concealed in the mattress. The bank deposit will be credited to someone's account. Making use of it will be the normal thing to do. In fact, the urge to spend, repressed during the war, will probably be too strong to be even momentarily checked.

Professor Slichter expresses a different view. Here is his description of the after-war scene:

> "For six or twelve months, while there is considerable unemployment and while millions of people are uncertain about their employment prospects, the conversion of this great quantity of liquid assets into goods will occur at only a moderate rate. As people become re-established in peacetime jobs, however, they will be eager to spend their wartime savings. At this time, it will be extremely difficult to prevent a disorderly price rise similar to the rise after the first World War."

It is possible, of course, that there may be a brief period of hesitation, but we see no reason to suppose that it will continue as long as Slichter anticipates.

A more plausible expectation, we think, is that thousands of business concerns will move speedily into reconstruction of plants or increased production. At the same time, many consumers will buy at once whatever they can get. The ripple of activity and rising prices thus started will soon encourage other producers and consumers. Within a very short time prices will move up. The first stirrings of inflation will be evident to everyone.

Probable Effects On Post-War Prices

At this point we must make two further assumptions: (1) Once the war is over and demobilization completed, the government will make a determined effort to balance its budget and cease depending on further bond sales to finance current outgo. (2) At the same time, the Federal Reserve Board, resisting political pressures, will make full use of its powers to restrict speculative loans and to put the brakes on further expansion of bank deposits. Both assumptions, we grant, are doubtful. It is only a courageous conservative administration that can bring these things to pass. Unless they are well handled, however, the chances of getting by without a disastrous blow-up of prices are practically nil.

Even with the best national management, a great inflation seems certain. As it looks now, the money actually in existence at the close of 1945 will be **between four and five times** the corresponding amount at the height of the 1920 boom and **over three times** the amount in 1929. There will be, of course, a larger physical volume of goods to handle, but nowhere near proportionate to the larger quantity of money.

What the turnover rate will be is hard to guess; but under the impetus of eager spending by both business for re-conversion and the public for much desired goods, we can find no good reason to suppose that money velocity will be slower than in earlier boom years.

The wholesale price index, at war's end, after allowing for an assumed 10% rise from the present level, will be 27% below 1920 and 19% above 1929. Obviously, in view of the tremendous enlargement of buying power activated by strong buying motives, prices cannot conceivably stay put on the war's-end level. How much higher they will go is not calculable when so many factors, including human reactions, are unknown.

It would be indeed surprising, however, if wholesale prices were not at least doubled on the average; and there is no apparent reason why they should stop at that point. In other countries, under broadly similar circumstances, inflation has reached much greater heights.

We have already suggested that the post-war inflationary boom will develop rapidly. The stage will be set well in advance; the actors will be ready, for inflation is almost universally expected; and the big show will start promptly. If so, it is not likely to have a long run—**perhaps two or three years, judging by previous experiences, before it reaches its culmination, and a new kind of show begins.**

* * *

Nothing has been said in this report about price controls or other possible safeguards or remedies; nor about protective measures to be taken by individuals or businesses. These topics will be treated in the next report. [Inquiries regarding this report should be addressed to Tradeways, Inc., 285 Madison Ave., New York City.—Editor.]

The Future Of Interest Rates

(Continued from page 998)

become a gigantic savings institution, with millions of patrons and liabilities which are now about 25 billion and possibly before the end of the war they may increase this many billions more. At the present time the banks do not seem to object to the Government becoming a tremendous savings bank institution. As the owners of Government bonds in America increase it will become more and more necessary that the United States Treasury maintain the confidence of its millions of creditors. If they ever lose faith in the readiness of the Government to pay and in the stability of the purchasing power of the dollar, then we would have a tremendous run on the Government by the creditors, demanding payment of their savings in money which they in turn will wildly try to spend or invest in goods and equities.

These millions of investors in Government securities, and the prospect of more, is a tremendous force for keeping governmental fiscal policy on the straight and normal path of solvency and sanity. This fact is a gigantic one—they are voter-creditors. This is the most important trend in our nation to hold down inflation, and I hope it will not be very long until we have fifty or seventy-five million people in this country holding Government securities in small and large amounts.

Our Government has become a savings bank in a very large sense and, therefore, it seems to me that as this condition increases Uncle Sam will be on the same side as bankers in the fight for sanity and soundness in national fiscal policy. There is now some hope that we may escape wild inflation, although it is not yet certain by any means. Only a few months back I thought it was inevitable.

I agree with Dr. Anderson that interest rates are bound, in time, to work higher, and he is probably right, that the Treasury Department should now raise its interest rates sufficiently to attract investors to buy in a larger way Government bonds, so that the banks will not have to buy them. Just how this can be done, I am not sure, but do feel that it should be done. Interest rates are now too low, and I think we are headed for trouble in a similar way to the trouble we have been headed for in the past when money was scarce and interest rates too high.

During the First World War—in 1917 and 1918—the banks did not have to buy Government bonds. It was not necessary for them to buy bonds, and individuals bought them freely and they had absolute confidence in the fiscal policy of our Government at that time, and the bonds paid good interest. So far, we have not had any general flight from the dollar by the public, but there are many individual cases, some to my knowledge, that have for some years become uneasy about Government securities and money, and have made it a policy to keep all their funds invested in real estate. This, however, has not been general, and I hope that our Government will have the courage and patriotism to keep down inflation and save us from the disaster that will surely follow in the wake of wild inflation.

C. M. MALONE,

President, Guardian Trust Company, Houston, Texas.

C. M. Malone

There is no question about the fact that interest rates are too low. When any commodity gets too cheap and below cost of production and distribution you have an unbalanced condition. While banks with large deposits can make money at present rates, the small bank with $1,000,000 deposits cannot make expenses at present interest rates. The Federal loan agencies have taken the taxpayers' money and established loan agencies such as the FSA, where cost of loaning money appears to be about 33⅓%, not taking into account any losses for bad loans. It has taken $150,000,000 of taxpayers' money and organized the Production Credit Corporation, which in turn has organized some 529 Production Credit associations where the Production Credit Corporation supplies the capital and then each borrower acquires stock equal to 5% of the amount he borrows. The report of the Production Credit Corporation for 1942 shows that out of 529 associations, 245 operated at a loss if government subsidy were withdrawn. These organizations are supported by taxpayers' money and are in direct competition with the country bank.

Now with Government in business of loaning money by the billions and the Government borrowing money by the billions, they control the rate on loans and they control the rate on what they borrow, due to the fact we all feel that, regardless of rate, we should buy bonds to help win the war.

While I can see that the rate on Government bonds is low, I cannot see how our Government can increase the rate in view of the already heavy interest requirement.

As I see it, the same applies to the Government as to a corporation, or an individual. If a person owes $1,000,000 which is bearing 2% and they are needing more money to carry on, the bank would probably make a mistake to increase the rate to 3%, as the added burden would retard liquidation. When we speak of increasing interest on the billions of Government bonds, we are dealing with a very large added burden on taxpayers.

The people of this country have a limit to the amount of taxes they can pay and that limit has about been reached by the average person.

People as a whole have done their best to meet the demands of the Government and I know it has been hard on many. We should reduce our government expenses, for everything that is not essential for the war. According to Senator Byrd's reports, thousands of civilian employees are not needed by our Government. We are in Government just where business was in 1933. The Government needs to eliminate all unnecessary expense and get on a basis where following the war we will liquidate debt instead of increasing it. Therefore, I doubt that interest rates should be increased on Government bonds. What this country needs most is to eliminate Federal corporations using taxpayers' money to compete with taxpayers in business. So long as we allow the Government to organize corporation after corporation to take the business away from the taxpayers, then we can expect low interest rates, as it makes no difference to Government about the cost of loaning, as deficits are paid by the taxpayers. Business will adjust rates, in my opinion, when the Government eliminates government lending and government in business.

ELISHA M. FRIEDMAN,

New York City.

(1) "Dr. Anderson indicates his belief that interest rates are bound to work higher sooner or later."

This statement would be true if gold circulated or if paper was convertible into gold. But this assumption is not true today. We have managed money. The Treasury can keep interest rates stable, or keep bond prices up by utilizing vast funds like Social Security, sinking funds, etc. The Federal Reserve banks also are potential buyers of Government bonds. The member banks are optional buyers at the request of the Treasury or the Federal Reserve banks. Therefore it is difficult to follow Dr. Anderson's conclusion that interest rates are bound to work higher. They need not, during the war.

(2) "Dr. Anderson expresses the opinion that the Treasury ought to make rates of interest high enough now to attract investors' funds."

Warring nations raised their interest rates during war when credit deteriorated. Note the example of Germany and France during World War I, and the United States during the Civil War. If our Treasury were now to raise interest rates appreciably, as Dr. Anderson suggests, it would frighten the country, impair confidence and reduce subscriptions to new issues.

(3) "Dr. Anderson believes that the banks holding long dated governments should be allowed to subscribe for the new higher yield issues with their old bonds."

This practice was prevalent in France and Germany in World War I, because the national credit was deteriorating. But even in those countries not only the banks but the private investor had the same privilege. If Dr. Anderson's advice is followed, all the bonds owned privately would fall in market price until the bonds rose to the new high level of yields. The decline in the market value of the principal would run into the billions. If individual bondholders had to sell in distress they would incur an actual loss.

(4) "Dr. Anderson's program is suggested to insure the future solvency of the banks."

This is not a cause for worry now. If sometime in the future such a worry should arise, there are other simpler means which would not hurt the private investor. Under the Glass-Steagall Act of 1933 the member banks have the right to discount government bonds at par. This does not solve the basic problem. It merely mitigates one of the evil effects. The problem is the big debt, not the low interest rate. We are in a war. The country needs money. It is getting it, and quite successfully. Why introduce a needless complication now? No other government has followed Dr. Anderson's advice. Why should we?

There are other aspects which Dr. Anderson does not mention. Dr. Anderson's advice seems to look at one side of the picture. He thinks of the investor. But since we expect to pay the interest on these bonds, why does he overlook the taxpayer? If we end the war with a 200 billion dollar debt, every ½% rise would constitute a budget burden of 1 billion dollars more. But a mere

½% increase would not justify such a radical change of policy. Dr. Anderson asked for a 3½% rate on long-term bonds when he addressed the New York Chapter of the Statistical Association. If he still has the same idea, his advice would cost the American taxpayer 2 billion dollars per annum additional. This increase alone is equivalent to twice the maximum interest charge at the peak of the debt in 1919 and 1939. Bear in mind also that the additional 2 billion dollars of taxes would be levied on the higher brackets from which risk capital comes. This risk capital must be available to take care of our expanding economy and to avoid unemployment. Dr. Anderson's advice, therefore, simmers down to this, that the upper income brackets will pay sharply increased taxes in order to furnish slightly higher interest to the low income brackets.

If government bond yields rise from 2½% to 3½%, such a rise will break the entire corporate bond market, hurt the insurance companies, savings banks, and estates holding triple A corporation bonds. Such a decline in highest grade bond prices would have a seriously disturbing effect on the stock market. Besides, if government bonds rise in yield by 1%, stocks would fall in price in order to rise in yield by at least 2%. Under such conditions, how could the Treasury sell any new government bonds?

Again, high rates deter risk-taking. Low rates stimulate risk-taking. Risk-taking creates employment. Unemployment will be a post-war problem.

We are living in a managed economy and Dr. Anderson is talking in terms of a free economy. Certainly wartime is no time to shift from managed money to a free capital market.

For the above reasons I think that Dr. Anderson's suggestions are unwise and impractical. They would destroy confidence in government credit. They would hurt the investor. They would increase the burden on the taxpayer especially heavily in the high brackets. They are contrary to the experience of other governments in the present war. Dr. Anderson is looking backward instead of forward. He is still thinking in terms of the first World War. To carry his thesis to the logical conclusion, why doesn't he go back to the Civil War when the investor received better than 6% on a United States Government bond?

Dr. Anderson's proposal will have the approval neither of the member banks nor the private investors, nor the taxpayers, nor the Treasury. In fact, it is difficult to imagine any group that would support these proposals. It is difficult even to understand why he makes the proposals, just now.

Wheeler Urges President To Appeal To People Of Europe

(Continued from first page)

much do not ask for anything but peace, bread and work.'

"The Pope, as you know, is in a position to have knowledge of the sentiments of the people in enemy countries as well as Allied countries.

"The above statement, coupled with the Russian offer of peace in the event that the people in the other totalitarian countries throw out their dictators and all that they have stood for, leads me to respectfully suggest to you that the time has now come for you to define unconditional surrender and appeal to the people of Europe to abandon the false path of militarism, intolerance and brutality.

"I fully believe that you, as champion of democracy and opponent of totalitarianism and tyranny, can now bring about peace in Europe and establish democracy throughout that war-torn continent. In so doing you cannot only save European civilization but prevent the future sacrifice of our own American boys as well as save the lives of thousands of innocent non-belligerents whose freedom from gangster oppression we have pledged ourselves to guarantee.

"If you do this, you will, I am sure, win the acclaim not only of every American, but the people throughout the world."

Bank & Insurance Stocks

(Continued from page 1009)

for "V" loans will enable war-contractors to utilize bank credit upon cancellation of war contracts, through permitting banks to make loans to such contractors under adequate Government guarantee.

Many of the leading banks and trust companies of New York City, as well as of some other cities, will undoubtedly be actively engaged in international trade in the post-war era. For example, National City Bank vigorously reaffirms its belief, in a recent folder, in the future of inter-American trade relationships, and points out that National City branches are located in all sections of South America prominently identified with the sources of strategic materials.

To quote Standard and Poor's: "Despite unprecedented economic changes, the principal functions of banks are not outmoded. The future position of commercial banking in the nation's business is backed by the essential nature of the services performed."

New Frontiers Of Business Development

(Continued from page 1003)

This, I should like to emphasize, is not advocated merely as a measure of tax relief but as a means of preventing or minimizing the dislocation, shock and even wreckage which, otherwise, very large sections of our economy will experience in the course of the coming transition.

"The National Industrial Conference Board has well stated the problem. I quote: 'The first step necessary to overcome existing defects is to treat corporations as vital productive untis rather than as convenient and politically safe sources of revenue. If they are also to be sources of revenue, a reasonable allowance for future contingencies is needed in computing taxable income, however unpredictable in magnitude these contingencies may be. Safeguarding their future productivity requires full allowance for offseting all losses against taxable income.'

"Even more important than reserves for reconversion purposes, in my judgment, is assurance that excess profit taxes will be discontinued immediately upon the termination of the war. President Roosevelt has repeatedly emphasized the demoralizing effect of the emotion of fear. The apprehension which so many business executives are under today as they look ahead would be removed if capital could confidently expect to be able to retain a reasonable profit after the war is over.

"As a further necessary aid to the post-war expansion of production and employment, Congress should so amend our tax laws as to encourage venture capital. The fact should be clearly recognized that peace-time risk is taken for the sake of profit, that neither business managers nor private investors will assume financial risk without an opportunity to realize and retain legitimate profits.

"We need to keep in mind the fact that if private investors do not provide the risk capital required for industrial expansion, either society will not progress materially or the Government will supply such capital. And if government supplies the risk capital and thereby becomes the great entrepreneur, or risk-taker, the private incentive to assume risks in the hope of gain gradually dies—and the State will finally become socialistic rather than capitalistic.

"Fortunately, we see indications of a growing awareness in Congress of this danger. For example, Representative Dewey of Illinois and a former Assistant Secretary of the Treasury, is advocating revision of the Federal tax laws to the end that risk capital may be 'induced to resume its historic place in American industrial development.' He points out that our tax laws 'should be so amended as to offer an incentive for people to risk investment in new and uncertain undertakings.' Quite significantly, he urges that, 'when the war terminates and returning soldiers are seeking jobs or are desirous of setting up new enterprises themselves, our tax system should be so amended that it will **favor** these adventurers in trade and industry instead of **handicapping** their intiative.'

"Much has been said of late about unnecessary restraints upon business and capital. In this connection it is gratifying to note that the Special Committee on Post-War Economic Planning of the U. S. Senate, and headed by Senator Walter F. George, already is addressing itself broadly to this problem. At the instance of this Special Senate Committee, the Brookings Institution is making a study of governmental restrictions upon free enterprise, and at the same time is preparing estimates of the amount of Federal aid which private industry will need for post-war conversion.

"Senator George's Committee is, from my observation, making a most realistic approach to post-war planning. It is the judgment of many business leaders, and of Congressional leaders as well, that various restrictions which tend to retard industry and which will prevent healthy post-war expansion could be removed or relaxed without impairing any desirable governmental protection and without any loss of ground in the field of social advancement. Considering the quality of the Committee which the Senate has set up, we may well expect constructive results.

"A highly important matter with a vital bearing upon our post-war plans has to do with relations between employer and employee. Business and labor should be able to deal with each other without having the cards stacked against either one or the other."

With respect to the subject of renegotiation of war contracts, Mr. Schram said:

"I am going to mention another obstacle to an orderly conversion of business from war to peace. This is presented by the administrative difficulties in the renegotiation of war contracts. Here, again, Congress is intelligently seeking a remedy. I have just finished reading the testimony of Lewis H. Brown, President of the Johns-Manville Corp., who, by invitation of the Committee on Naval Affairs of the House of Representatives, discussed some of the practical aspects of this problem. As Mr. Brown pointed out, there can be no room for disagreement with respect to the principle that no one should be allowed to make excessive profits out of the war. 'Both as a matter of patriotism and in their own self-interest, members of American industry are equally agreed upon that principle.' However, the difficulties are so great from an administrative standpoint that only a small fraction of the total number of contracts subject to renegotiation has been disposed of thus far.

"'In spite of the fact that those in charge of this work are men

(Continued on page 1012)

Calendar Of New Security Quotations

OFFERINGS

EMERSON RADIO & PHONOGRAPH CORP.

Emerson Radio & Phonograph Corp., has filed a registration statement for 175,000 shares of presently outstanding $5 par value capital stock. These are held as follows: Benjamin Abrams, 105,000; Max Abrams, 52,500, and Louis Abrams, 17,500 shares. No proceeds from the sale will be received by the company. The public offering price will be supplied by amendment later.

Address—111 Eighth Avenue, New York, N. Y.

Business—The company is a leading manufacturer of radio receiving sets for homes, and since June 6, 1942, has been engaged in the manufacture of radio and electronic equipment for the Army and Navy.

Underwriting—Principal underwriter is F. Eberstadt & Co., New York, N. Y.

Offering—Offering price to the public will be supplied by amendment.

Proceeds—All of the shares offered in the prospectus are owned by Benjamin Abrams, President; Max Abrams, Director, Treasurer and Secretary, and Louis Abrams, Director, who will receive all of the proceeds.

Registration Statement No. 2-5205. Form S-2. (8-25-43).

Offered Sept. 7, 1943 at $12 per share by F. Eberstadt & Co.

IOWA POWER & LIGHT CO.

Iowa Power & Light Co. has filed a registration statement for $17,000,000 first mortgage bonds, 3¼% series due June 1, 1973.

Address—312 Sixth Avenue, Des Moines, Iowa.

Business—Is a public utility engaged in the business of furnishing electric service in Polk County, outside the City of Des Moines and environs, and in 12 contiguous counties in Central Iowa, and furnishing gas service in the City of Des Moines and environs, and in two municipalities in adjoining counties.

Proceeds—Bonds are to be issued as part of a series of interdependent transactions which include the acquisition by Continental Gas & Electric Co. of Iowa Power & Light Co. and Des Moines Electric Light Co. from Illinois Iowa Power Co. Proceeds from the sale of the bonds, together with a portion of funds to be received from bank loans aggregating $2,500,000, will be used to redeem on Sept. 1, 1943, a total of $11,232,000 face amount of the company's first mortgage bonds; to redeem on Oct. 1, 1943, 10,133 shares par $100 of the company's 7% cumulative preferred stock; to the purchase from Illinois Iowa Power Co. of $1,750,000 face amount of general refunding mortgage bonds, Series A, due 1955, and $3,000,000 of open account indebtedness of Des Moines Electric Light Co., $4,750,000; to partial payment for Iowa properties of Iowa-Nebraska Light & Power Co., $1,000,000 and for other corporate purposes.

Registration Statement No. 2-5138. Form S-1. (5-12-43).

Bonds awarded Aug. 30, 1943 to a syndicate headed by Kidder, Peabody & Co., and White, Weld & Co. and associates on their bid of 107.56

Offered Sept. 2, 1943 at 108½ and int. by Kidder, Peabody & Co., White, Weld & Co., Eastman, Dillon & Co., Glore, Forgan & Co., Shields Co., R. W. Pressprich & Co., Equitable Securities Corp. and Laurence M. Marks & Co.

WEST TEXAS UTILITIES CO.

West Texas Utilities Co. has filed a registration statement for $18,000,000 first mortgage bonds, Series A, due Aug. 1, 1973. Interest rate will be supplied by post-effective amendment.

Address—1062 North 3rd Street, Abilene, Texas.

Business—Is a public utility engaged principally in generating, transmitting, distributing and selling electric energy in central western Texas. It also distributes water, manufactures and sells ice and, to a minor extent, conducts a cold storage business.

Offering—Price to the public will be supplied by post-effective amendment.

Proceeds—Proceeds from sale, together with such amount from the general funds as may be required, are to be applied to the redemption, at 105% of the principal amount, on or about 30 days after the delivery of the Series A bonds, of $18,000,000 face amount of first mortgage bonds, Series A, 3¾% of the company due May 1, 1969. The redemption of the bonds, exclusive of accrued interest, will require $18,900,000.

Registration Statement No. 2-5201. Form A-2. (8-18-43).

Registration statement effective 4:45 p. m. EWT on Aug. 24, 1943. Issue awarded Aug. 31, 1943 at 101.605 for 3⅛s to a syndicate headed by The First Boston Corp. and Harris Hall & Co. (Inc.)

Offered Sept. 2, 1943 at 102.46 and int. by The First Boston Corp. and others.

(This list is incomplete this week)

This announcement is not to be construed as an offer to sell or as an offer to buy the securities herein mentioned. The offering is made only by the prospectus.

175,000 Shares

Emerson Radio & Phonograph Corporation

Capital Stock
$5 Par Value

Price $12 per share

Copies of the prospectus may be obtained from the undersigned only in states in which the undersigned is qualified to act as a dealer in securities and in which the prospectus may legally be distributed.

F. EBERSTADT & CO.

September 7, 1943.

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"Our Reporter On Governments"

By S. F. PORTER

We're into the drive now and the story of this campaign is so obviously the big news of the day that talking about any other subject seems rather futile. . . . This is the day it begins. . . . For a minimum of $15,000,000,000. . . . All from non-commercial bank subscribers. . . . The tumult and the shouting surrounding this thing are without precedent. . . . Glamour, patriotism, bargain, pressure—name your word, choose your favorite selling method and you'll find it's being used in this terrific money-raising venture. . . . In fact, looking around in this New York district at the number of bond salesmen, one is tempted to quip that there are almost more salesmen than potential purchasers! . . .

But that's news you can get in your daily newspaper and stuff you're hearing on all sides. . . . To get into the more technical details, in which you are vitally interested, the first important point is that the Government bond market is still acting beautifully. . . . Prices holding up. . . . Volume staying at a small, comfortable level. . . . Little selling in the last week, just as little buying—but that's entirely logical. . . . The tax-exempts have been divided, with the longs holding firm and the shorts under slight pressure due to reported liquidation by savings banks. . . . Again, a natural development which will continue for a little while longer and then fade into the background. . . .

There's considerable gossip about the possible difficulty of raising the whole $15,000,000,000, but in the opinion of this observer, not only will the $15,000,000,000 goal be achieved but it also will be surpassed. . . . Maybe by a billion or two, if the salesmen exert as much effort as it appears they will. . . . Individuals will be hounded into buying and as for corporations—well, if one is discovered with surplus uninvested cash, it will have to do some tall explaining to get through the month. . . .

And now let's get into the other stories. . . .

THE BANK DRIVE

Commercial banks must wait until this public campaign is over, of course, before they can get their offering. . . . And as remarked here previously, Secretary Morgenthau has been smart in omitting any mention of the size of the commercial bank offering until after he knows how the third war loan is going. . . . That's shrewd because, obviously, the size of the bank deal will depend primarily on the oversubscriptions received from individuals and corporations. . . .

Morgenthau also has neglected to say specifically that the banks will get 2s due in 1953/51 and ⅞% certificates with exactly the same terms as the non-bank investors are receiving. . . . But we may take for granted that he'll tender the same securities because it would be too much trouble to change the terms just for a month's maturity difference or something similarly minor. . . . Also, as far as size goes, it has been estimated that the Treasury will need $6,000,000,000 over and above the $15,000,000,000 to be obtained this month to cover its expenses for the rest of 1943. . . . Assuming that half this $6,000,000,000 comes from war bond sales during October, November and December, the Treasury would be compelled to raise $3,000,000,000 through the commercial banks. . . .

That's a logical total. . . . Although one guess is that the bank offering in October may be $4,000,000,000, just to keep it at the same level as the April allotments. . . . (At that time, the banks were allocated $4,250,000,000 of 2% bonds and certificates.) . . . If Morgenthau wanted the same pattern again, he would offer $2,000,000,000 of the new 2s and $2,000,000,000 of the ⅞s in early October and get some extra cash to build up his working balance. . . .

A word of caution may be advisable at this point. . . . The banks are going to be the only ones able to buy the 2s and certificates during the period the books are open to them. . . . There'll be no aid to oversubscription from other sources and speculators, therefore. . . . So don't look for a heavy oversubscription total. . . . Don't overbid, thinking you need do so in order to get the amount of 2s you want. . . . You'll probably get close to your order without doing anything but placing a subscription for the exact total you'd like to have on your books. . . .

Triumph
Explosives
Bought — Sold — Quoted
•
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New Frontiers Of Business Development Seen By Schram

(Continued from page 1011)

of high ability and have worked with all possible diligence, the progress is so slow that business and industry have become seriously disturbed. As a practical solution, Mr. Brown proposed what seems to me to be a simple method of screening out those contracts which do not need to be renegotiated. He suggested that "where a company's profits after taxes are not greater than the excess profit credit, they are not excessive and need not be renegotiated; that where a company's profits after taxes are greater than the excess profits credit, they may be excessive and should be renegotiated." '

"It goes without saying, that intelligent planning in industry must be based upon fundamental facts which are as accurate as it is possible to obtain. The speedy conclusion of renegotiation, together with light on any relief factors which may be present, would give great encouragement to business executives and release their energy for other urgent tasks.

"In this same category is the problem of the cancellation of war contracts. Here, again, we must give credit to the Government for its recognition of the need of a definite and sound policy and for some steps already taken in that direction. This question is still a source of grave anxiety for business and industry, however, and will continue to be until the policy has been fully developed. Speed is of the essence."

In his further comments, Mr. Schram stated:

"In addition, Congress and the executive departments should, without unnecessary delay, decide upon the policy that is to be pursued in disposing of Government-owned or Government-financed industrial plants and of inventories in the possession of Government or in process of accumulation for the account of Government. Many of these plants compete directly with private enterprise. Some of them will be useless after the war, others can be converted to the production of materials useful in a peace economy. Obviously, much of the funds invested in these plants and inventories by the Government will have to be written off and charged to the cost of prosecuting the war. I hope that, under wise legislation, Government will utilize the services of able business men in this important process of liquidation. If this problem is not properly dealt with, many sections of business, large and small, will be endangered.

"The method by which men and women in the military establishment and in Governmental employ are demobilized should, of course, be geared to the capacity of private enterprise to absorb them. We need to know, as soon as possible, what the Government's plans are with respect to this vital phase of our transition from a war-time to a peace-time basis.

"We all realize that government necessarily will have to assume responsibilities which were not in the distant past considered to be its concern. The country should have, however, as soon as possible, a clear indication of the type of public works which the Government proposes to undertake in the post-war period. Considering that a vast field—road building, slum clearance, bridges, the construction of essential public buildings and the like—has been largely neglected in recent years, there would appear to be no need to extend make-work activities beyond these spheres. In other words, public works of a purely luxury nature should not be necessary.

"Except to the extent that it may be necessary to supplement private industry during the emergency transition period, the objective should be a minimum of persons employed by or at the instance of Government. Private enterprise should be given every possible encouragement to absorb bona fide employables as speedily as possible."

Discussing the Lend-Lease program, Mr. Schram expressed his views as follows:

"It would inspire confidence if the country were assured that, with the exception of vital military aid and relief, the Lend-Lease program is to be administered on the concept that the greatest aid we can extend to the destitute peoples of other countries is to help them to help themselves. Alone, we cannot feed, clothe and otherwise support the world. On the other hand, to the extent that poverty and want arose out of the war, we all agree that we should contribute our proportionate share of the goods which are needed to carry destitute people through the season during which arrangements must be made for the resumption of production of foodstuffs and other necessities."

Mr. Schram told the Group that, "in what I have said, I have tried to outline a pattern of Government attitude which would provide the environment under which our economic system can operate most efficiently and productively. In my judgment, such an approach to our problems would serve to recreate the enterprise system in full flower after we have finished with the sorry business of slaughter. What business and enterprise can do for a war-impoverished world challenges the imagination."

Mr. Schram observed that "the very large increase in the savings of the people, their War Bond investments and their extensive liquidation of installment debt and other financial obligations, promise for business a post-war domestic market vastly larger than any we have known heretofore." Earlier in his remarks he stated that, "to my mind, a country-wide ownership of U. S. Bonds is the best possible insurance that can be taken out for the preservation of our economic system." On this point he further said: "It is most important that all of our people have an interest in the full faith and credit of the United States of America.

"The safest protection against devaluation or dilution, or a policy of inflation that would give to the returned dollar a purchasing power less than that of the dollar originally loaned, is the possession of Government securities by all of our people. This is also the surest possible restraint which could be put upon Governmental extravagance and the strongest possible deterrent to unsound national policy."

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The Financial Situation

Both Thomas E. Dewey and Winston Churchill, the one a stalwart and influential member of the Republican Party and the other the forceful head of the British Empire, have within recent days undertaken, do doubt with success, to give impetus to the idea of much closer relations between the United States and the British Commonwealth of Nations after the close of the war now raging throughout the world. It is not altogether clear precisely how far Governor Dewey would go with the notion of a formal alliance between the two countries. He speaks of a "de facto" alliance existing since 1812, pointing out quite accurately that when during that period the British Empire twice was threatened with destruction, or something closely approaching it, we have come to its rescue. He plainly appears to believe that we acted with wisdom on both occasions, and expresses the belief that it would be well for us in the future to formalize the relationship, and perhaps to broaden its base.

Mr. Churchill's Proposal

Mr. Churchill goes much further. In order that there be no possible misunderstanding or failure to understand precisely what the British Prime Minister does propose, it would, perhaps, be well at this point to quote his exact words. Here in part is what he said in Boston on Monday last:

"At the present time, Mr. President, we have in continual vigorous action the British and United States combined Chiefs of Staff Committee. . . .

"This committee with its elaborate organization of staff officers of every grade disposes of all our resources, and in fact uses British and American troops, ships, aircraft, ammunition, just as if they were the resources of a single state or nation. . . .

"This is a wonderful system. There was nothing like it in the last war. There never has been anything like it between two allies.

"It is reproduced in an even more tightly knit form at General Eisenhower's headquarters in the Mediterranean, where everything is completely intermingled and soldiers are ordered into battle by the supreme commander or his deputy, General Alexander, without the slightest regard as to whether they are British, Americans, or Canadians, but simply in accordance with the fighting needs.

"Now, in my opinion, it would be a most foolish and improvident act on the part of our two Governments, or either of them, to break up this smooth-running and immensely powerful machinery the moment the war is over.

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Remember Toledo, Peoria And Western

By H. T. NEWCOMB

If justice and decency in America, where they live, is as important to Americans as those conditions are in remote places of the earth, our citizenship should reflect earnestly concerning the continuing plight of the Toledo, Peoria and Western Railroad, its management, owners, and creditors. It will be remembered that, by an Executive Order of March 21, 1942, President Roosevelt expropriated the entire 239 miles of that property, with all its rolling stock, appurtenances, cash on hand and on deposit, in fact all its varied assets. With the alleged justification for this particular assault upon human rights to create and possess property we are not now very much concerned. It is sufficient to recall that some 104 of the railroad's engineers and trainmen were prosecuting a strike, in violation of the non-strike agreement which the President represents as pledging all organized labor and all employers, but their positions had been competently supplied and the railroad was functioning most efficiently and completely. However, everything was taken over, the owners and the management of their choice were ousted, the Office of Defense Transportation was placed in charge, and a so-called "settlement" of the already obsolescent and rather fictional "labor controversy" was effected according to the usual plan. The simple expedient adopted was to dismiss the men who had bravely operated the trains during the strike emergency, to re-instate all but one or two of those who had broken faith by attempting to prevent operations (in several in-

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Four Steps In Approaches To Attain Lasting Peace Proposed By Herbert Hoover

Declaring that "surely it is time we have a new approach to peace making," former President Herbert Hoover, on Sept. 3, addressing a joint session of the St. Paul-Minneapolis branches of the Foreign Policy Association and the University of Minnesota at Minneapolis offered a program embodying "approaches to peace," consisting of four steps and 11 reasons. In presenting his program Mr. Hoover stated that "victory is now inevitable," that while "there will be many more hard months," every month brings us nearer to the problems of peace. In his four steps, Mr. Hoover stated that "the first step in our proposal is to reach an agreement before firing ceases, between all the United Nations, that a few leading nations be appointed the joint managers or custodians or trustees of peace and that there will not be the usual armistice or the usual general peace conference." As the second step, he proposed an agreement between all the United Nations before victory over Germany, setting up the terms of a simple provisional peace which the custodians or trustees shall impose upon belligerent Europe the moment firing ceases and later on Asia; in the third step he proposed "a transition period from war to peace of a few years in which the world can cool off and have time for deliberate solution of the long-view problems of lasting peace; in the fourth and last step after the foundations of real peace have been laid, he suggested the creation of "some sort of world institution to replace the managers or trustees to preserve peace."

Herbert Hoover

Mr. Hoover's peace program follows in full:

Victory is now inevitable. There will be many more hard months. But every month brings us nearer to the problems of peace.

The American people are alive to the need and determined that we must have a lasting peace this time. From coast to coast you are thinking and discussing the ways to peace. You want your sons and fathers home. You want to make your lives again free from war hardships.

The method of making peace is being hourly discussed in books, in the press, over the radio. Congressional resolutions and political offensives are in motion all along the front of peace ideas.

We have two schools of discussion. In the first are those people who are serving to distill from the world's experience something definite and positive. Several notable contributions have been put forward which merit consideration.

In the second school are those who live in the indefinite. Their aims are magnificent; their phrases are sonorous; their slogans are impelling. But when we sift them down, they are mostly nebular words to the effect that we must cooperate or collaborate with the world to preserve peace and restore prosperity. They are a long way from how to do it. Often enough these phrases are doors to political escape. Or alternatively, they are the pavement of good intentions. Theirs is an unreal world of perfect words.

I do not underestimate the usefulness of inspiring words. But most of this is exactly the same verbal road which led to Versailles. When we got there we had high ideals, high aims, and great eloquence. Unless we arrive at the end of this war far more realistically prepared, we will

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From Washington Ahead Of The News

By CARLISLE BARGERON

To the overwhelming majority of Americans the word "propaganda" was offensive back in the days before World War I. The way we looked at it, propaganda was a dirty device used by foreign governments to keep their people in ignorance of what was going on. We were a clean and youthful nation with an honest face that had never been contaminated by such filth. Your correspondendent, being a military leader at the time, a corporal; in other words a definite part of the military economy with its viewpoint, recalls quite clearly how he watched with detachment the efforts to introduce this foreign practice to our civilian midst.

It required considerable delicacy in handling, pretty much like a proposition to inject disease for the purpose of making us used to it. The argument was that we were now in the big leagues and could stand some sophistication. We were associating with past masters in the art of world intrigue and we had to become adept with their weapons. Furthermore, we were told, we had had a lot of misunderstanding about the term. Used in controlled doses it was positively healthy.

Anyway, we went in for it nationally in a big way, and just like any other dope, we've never been able to get away from it. We've had to go in for steadily increased portions. By the time we got around to this war, no explanations had to be made. We accepted as a fact the intellectuals' assertions that the twisted word was more potent than bombs and that therefore it would be well nigh subversive to send our commentators and columnists to the firing line.

But it should have long ago been apparent that the poison gas which we have used to befuddle the enemy has blown back and has now got us so bewildered that we don't know which way to turn, and we are babbling like so many Chinese in an air raid shelter. Take the case of Russia:

When Hitler turned on Russia in 1941 we were in the midst of our so-called isolationist and interventionist struggle. That Hitler had attacked Russia was a potent argument for the isolationists. Ah, ha, it was all bunk about his being on his way over here; on its face pretty convincing. The interventionists were panicky. One of them penned a column that Hitler had just changed routes, that he was headed for us by way of Siberia and the Bering Sea. But by and large they set up the chant that Hitler would defeat Russia in three weeks and having done this, he would again turn westward, vastly reinforced. To this day, our high military authorities are credited with having believed this. I don't know of a single one who did. Most authorities with a realistic knowledge of Russia's vast area and manpower leaned more to the belief that Hitler would over-extend himself just as Napoleon did, though there was some authoritative belief that the Stalin Government might fall under the impact. But that he

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The Financial Situation

(Continued from first page)

"For our own safety as well as for the security of the rest of the world we are bound to keep it working and in running order after the war, probably for a good many years, not only till we have set up some world arrangement to keep the peace, but until we know that it is an arrangement which will really give us that protection we must have from danger and aggression—a protection we have already had to seek across two vast world wars."

Essential Now

Here, obviously, is a proposal which goes far beyond the ordinary military alliance. The procedure he describes as now in effect in the conduct of this war is, of course, essential to victory as complete and as prompt as it is humanly possible to make it. A still more complete unification of all military and allied operations against the Axis to include Russia and China would be even more effective were it possible to achieve in the circumstances. The task of all these countries is now clearly marked out. It is to defeat their enemies already in the field, and already established in wide stretches of territory which must be freed. That task is paramount. No other consideration can be permitted to intervene or to turn them from their single and common objective. There is no question as to whose interests will suffer the more by failure. The time has passed when it is profitable to argue the wisdom of this, or any other country, in permitting itself to be drawn into the existing situation. They are all faced by a condition which all have a vital, imperative, over-riding interest in correcting as quickly and as fully as possible. If success requires that one of the powers give far out of proportion to any relative material interest it has to serve, it is of no great moment in a situation like this.

But in Peacetime?

But Mr. Churchill is suggesting such an arrangement between the United States and Great Britain for an indefinite, but certainly an extended, peacetime period. This, it seems to us, to be a gray horse of an entirely different color. The Prime Minister bolsters his argument by reference to the common language of the two peoples, forgetting apparently that of the five hundred and odd million people who constitute the British Empire, scarcely a fifth speak the English language, "basic" or otherwise. But a common tongue is a slim basis for such a proposal to rest upon. Such a plan could be warranted, it appears to us, only in the event of a far greater identity of interest between the two countries than actually exists, and moreover upon a much greater identity of conception of those interests than has existed in the past, or is reasonable to expect in the future.

Extended British Interests

The British Empire extends virtually over the entire globe. Its vital interests are geographically almost as extensive, and in the past it has been warrantably enough, quite vigilant on the whole to safeguard them. Its interests have not for a long period of years collided (in times of peace) with ours in any very important degree, but it has interests in many parts of the world where we have none—except those which are supposed to flow from a vague sense of idealistic responsibility for the welfare of peoples far removed from our spheres of influence or activity, or else based upon an exaggerated notion of the degree in which modern scientific developments, particularly as applied to transportation, have robbed us of the safety of our isolated geographic position. The British authorities in the past have never been overly impressed with our international idealism, and we should do well to study with greater care and realism the effects of the devlopment of air transportation upon our geographic position from a military standpoint. In such circumstances it would appear almost incredible that it is actually suggested not only that we enter a defensive and offensive alliance with the British Empire, but that we pool all our resources of men, materials, energy, and skills in such a way that they, along with those of the British, be employed in the support of joint international policies as though all belonged to one nation.

Other Considerations

But there are other considerations which must not be overlooked for a moment. What is being proposed is a sort of Pax Britannica-Americana. Such an arrangement, apparently moulded consciously or unconsciously after the Roman model, could hope to be successful over an extended period only upon the show of such overwhelming force that no other power or combination of powers would think it wise, save in the worst extremity, to oppose or defy it—and probably even then upon world policies so selfless and wise as to be almost unimaginable upon this planet. Such prerequisites of success do not appear to us to exist, or to be likely to exist. Russia, the apparently unconquerable, will not miss the fact that she would be outside of any such alliance as now proposed. Perhaps it was not intended that she miss the fact, but in any event the problem of either arranging later for the inclusion of that country, which in a probability would not be possible, or else of coming to a working agreement about many things with it. There is also China with enormous potentialities, and Germany and Japan, which even if completely defeated and rendered helpless for the time being, will remain peoples with proved recuperative powers. All these countries have interests which have in the past collided with those of the British Empire, and may well do so again. Ample material would exist for an anti-English speaking coalition of powerful proportions. It seems to us that the plan now offered might very well prove through the years to be a most effective stimulation to the development of precisely such opposition—certainly unless conducted with wisdom and a detachment which we are certain Solomon could not have equalled.

With the remarkable utterance of Mr. Churchill on Monday, the time appears to have arrived when the American people must give all these questions far more realistic thought than they have been inclined to give them in the past. The necesity for such study is made even more urgent by what Governor Dewey had to say on the previous day in Michigan, if that statement is to be taken to mean that the New York Governor is now to add his influence to that of Mr. Willkie and some others in persuading the Republican Party to range itself more or less alongside the President and his followers as regards international relations.

A Fifth and Fundamental Freedom

"This fifth freedom (of individual enterprise) is in reality the cornerstone of the foundation upon which the other four freedoms must rest. It recognizes that the individual human body, the individual human intellect and the individual human soul are fundamental and the moving and guiding forces in any form of true civilization. . . .

"It is to the people of these United States that this modern world may well look for commanding and convincing illustration of this fifth freedom. The Army private of today is the major general of tomorrow. He who begins life as a manual worker or as a clerk may, as we well know, come to wield large influence and authority as an administrator, and organizer of men and industry. This is the secret of true progress. Given the fifth freedom, then the other four freedoms take their place as part of the life of every free man. . . .

"There is an insurmountable barrier between voluntary and compulsory cooperation with one's fellow-men. The latter is inconsistent with the fifth freedom and violates both the principles and the ideals of modern democracy.

"Persuasive and convincing argument is one thing, but compulsion whether by threat or force is a very different thing. The free man will eagerly seek the one and will turn back on the other. To put any individual human being in the chains of an organization of this kind closes to him the door of opportunity."—Nicholas Murray Butler.

We cannot be too often reminded of these simple but basic truths. If only they were better understood in Washington!

The State Of Trade

Industrial reports continued to reflect a high level of activity generally. The retail trade also continues to send in favorable reports.

After a lapse of one week, production of electricity in the United States in the week ended Aug. 28 continued to move into new all-time high ground, with a total output of 4,322,195,000 kilowatt hours. This total was 18.7% above production in the like week last year, and compares with output of 4,264,824,000 kilowatt hours in the preceding week this year, according to the Edison Electric Institute.

All geographic regions showed gains over a year ago, the largest being 23% in the Southern states. Output in the Mid-Atlantic states was up 19.9% and in New England the rise was 7.1%.

Consolidated Edison Co. of New York reports electric output in the week ended Aug. 29, was 205,200,000 kilowatt hours, an increase of 30% over a year ago. Local distribution was up 40.6%.

Carloadings of revenue freight for the week ended Aug. 28, totaled 904,007 cars, according to the Association of American Railroads. This was an increase of 12,810 cars over the preceding week this year, 4,602 cars more than the corresponding week in 1942 and 8,713 cars below the same period two years ago.

This total was 120.30% of average loadings for the corresponding weeks of the 10 preceding years.

Steel ingot production rose one-half point to a rate of 99.5% this week as production of raw materials and military equipment continued at a high level, according to the "Iron Age."

The magazine warned, however, that distress clouds might be forming on the horizon with a showdown approaching on the coal mine labor front while the war-time steel distribution might again require tuning.

"Because of the sparks which have been created lately between John L. Lewis and the government, apprehension is felt over the possibility of new outlaw stoppages at the mines prior to the Lewis-established Oct. 31 deadline," the magazine continued.

"The ever-tightening situation in steel caused by constantly rising demand for plates has been accentuated by new maritime commission orders, which in the case of at least one mill are so great that no other consumers can be served.

"Steel division officials contend that 95% of delivery promises are being met by steel mills under the controlled materials plan. Regardless of the accuracy of this figure, a majority of steel users and producers hold to the firm belief that steel distribution as now controlled by the government is far more efficient than at any time since war began," "Iron Age" states.

Retail sales throughout the country last week were estimated at 8 to 12% over the same week last year, according to Dun & Bradsteet, Inc.

Regional percentage increases as reported by the business research firm were: New England, 6 to 9; East, 4 to 6; Middle West, 6 to 8; Northwest, 10 to 14; South, 12 to 16; Southwest, 18 to 22, and Pacific Coast, 16 to 19.

Department store sales on a country-wide basis were up 1% for the week ended Aug. 28, compared with the like week a year ago, according to the Federal Reserve Board.

Store sales were up 6% for the four-week period ended Aug. 28, compared with last year.

Department store sales in New York City in the week ended Aug. 28, were 8% smaller than in the like 1942 week, and in the four weeks ended Aug. 28, sales in this group of stores declined 2% from the corresponding period last year, according to the New York Federal Reserve Bank. The weekly figure was affected by the fact that one of the stores used in the compilation had one less shopping day this year than last.

Americans received $56,761,000,000 in wages and salaries during the first seven months of this year, Jesse Jones, Secretary of Commerce, reported. This is 31% higher than the amount earned in the like period last year and 87% above earnings in the corresponding period of 1929.

In July alone wages and salaries aggregated $8,413,000,000, an increase of $8,000,000 over the preceding month and $1,720,000,000 above July last year.

Total income payments to individuals in July amounted to $11,795,000,000, Mr. Jones said, adding that a 3% decline from June was due to seasonal factors, principally the usual June-July drop in dividend and interest disbursements. The monthly total was 22% higher than a year ago and on a seasonally adjusted index basis advanced 2.5 points over June to a new high of 213.8. The index is based on 1935-39 average payments as 100.

For the seven month 1943 period total income payments to individuals were put at $78,913,000,000, a 27% increase over the corresponding period a year ago and 65% above the $47,819,000,000 figures in 1929.

Morgenthau Certain Of War Loan Success

Secretary of the Treasury Morgenthau said on Aug. 26 that he has no doubt as to the success of the $15,000,000,000 Third War Loan drive, which begins Sept. 9.

The Secretary told his press conference that, despite the high goal, the elimination of banks as subscribers and the fact that September is a tax payment month, he has every confidence the American people will make the drive a success because it is tied up so closely with winning the war. Mr. Morgenthau also said he hopes the loan will take care of the Treasury's major financing for the rest of the calendar year, and in this way make a Fourth War Loan drive unnecessary this year.

Ted R. Gamble, National Director of the War Finance Division of the Treasury, was present at the conference to outline the arrangements that have been made for the largest financing operation ever undertaken by the Government. Mr. Gamble said the Treasury program will be handled through 51 field offices throughout the country with 3,000,000 volunteer workers. He also disclosed that the greatest program of newspaper, radio and motion picture advertising has been planned.

Churchill Urges Post-War Alliance Between U. S. And Britain For World Peace

Prime Minister Churchill of Great Britain appealed on Sept. 6 for post-war collaboration between the United States and Britain, declaring that without the united effort of the British and American people a world organization to preserve peace could not endure.

Speaking in Harvard University's Memorial Hall at Cambridge, Mass., where he received the honorary degree of Doctor of Laws, Mr. Churchill also pointed to the possibility of the common language between the British and American peoples becoming the foundation of a common citizenship.

Mr. Churchill asserted that the United States, "in many ways the leading community in the civilized world," cannot hope to escape the responsibility which goes with its power in time of either war or peace.

The following account of the Prime Minister's talk is from the United Press:

At present, Mr. Churchill said, the United States and Britain are fighting as one nation with the British and American Combined Chiefs of Staff Committee under the leadership of himself and President Roosevelt and with General Dwight D. Eisenhower directing Allied operations in the Mediterranean.

"Now in my opinion," Mr. Churchill said, "it would be a most foolish and improvident act on the part of our governments, or either of them, to break up this smooth-running and immensely powerful machinery the moment the war is over.

"For our own safety as well as for the security of the rest of the world, we are bound to keep it working and in running order after the war, probably for a good many years, not only until we have set up some world arrangement to keep the peace but until we know that it is an arrangement which will really give us that protection we must have—a protection we have already had to seek across two vast world wars."

Mr. Churchill said he was "not qualified, of course, to judge" whether cooperation would become a party issue in the United States and he "would not presume to discuss that point."

"I am sure, however," he commented, "that it will not be a party question in Great Britain."

He expressed hope that some day the United States and Britain, united by their "priceless inheritance" of the "gift of a common tongue," which has "enabled us to wage war together with an intimacy and harmony never before achieved among allies," might find that "it may well become the foundation of a common citizenship."

Of the present situation, he commented that "there was no use saying, 'We don't want it, we won't have it. Our forebears left Europe to avoid these quarrels. We've founded a new world which has no contact with the old,'" and pointed out that the "long arm of destiny" has twice reached out to involve America.

"The people of the United States cannot escape world responsibility," he said. . . . "To the youth of America, as to the youth of all Britain, I say, you cannot stop; there is no halting place at this point. . . . We must go on; it must be world anarchy or world order."

Mr. Churchill did not go into the details of a possible world organization to prevent aggression, although he said many plans were being studied among the Allied nations, and remarked that:

"It is said that the League of Nations failed. If so, that is largely because it was abandoned or betrayed. . . . Because the United States, the originating impulse, fell out of the line; because, while France had been bled white and England was supine and bewildered, a monstrous growth of aggression sprang up in Germany, Italy and Japan. We have learned from hard experience that stronger, more efficient, more rigorous world institutions must be created to preserve peace, and to forestall the causes of future wars."

He emphasized that: "I am here to tell you that whatever form your system of world security may take, however the nations are grouped and ranged, whatever derogations are made from national sovereignty for the sake of the larger synthesis, nothing will work soundly or for long without the united effort of the British and American people."

Mr. Churchill spoke at length of British and American work on a system of basic English, a simple, practical selection of basic words which might be learned by people throughout the world, as of great importance in spreading Anglo-American influence peacefully.

Pointing to a common language as one of the ties which served as unifying factors between America and Britain, Mr. Churchill recalled that: "The great Bismarck—for there were once great men in Germany—is said to have observed toward the close of his life that the most potent factor in human society at the end of the Nineteenth Century was the fact that the British and American people spoke the same language."

Then reverting again to the possibility of a world organiaztion and the necessity of Anglo-American cooperation, Mr. Churchill said:

"I, therefore, preach continually the doctrine of the fraternal association of our two peoples, not for any purpose of gaining invidious material advantages for either of them, not for territorial aggrandizement or the vain pomp of earthly domination, but for the sake of service to mankind and for the honor that comes to those who faithfully serve great causes."

And he said: "If we are together nothing is impossible. If we are divided, all will fall."

Morgenthau, Vinson Differ On Tax Plan

Secretary of Treasury Henry Morgenthau, Jr., and Stabilization Director Fred M. Vinson have disagreed over means of raising $12,000,000,000 in new tax revenue and will submit their divergent views to President Roosevelt in formal reports next week, reliable sources said on Sept. 4, according to United Press Washington advices. Mr. Morgenthau, it is reported, is ready to recommend, as he has done publicly several times, that the entire amount be raised by taxes and that compulsory savings be left out of the picture.

The United Press dispatch further said:

"It is reported he will propose revival of the Treasury's 1942 plan for a so-called spendings tax, which has been generally expected. He also will recommend imposition of a penalizing levy on all war salaries above $25,000 annually. The President's original $25,000 salary limit was repealed by Congress.

"No information was available on Mr. Vinson's probable specific suggestions, but it is understood he will dissent strongly from the Treasury plans.

"If the differences on the tax front are to be patched up in time to assure passage of a new tax bill this year, the burden apparently rests upon the President and War Mobilization Director James F. Byrnes.

"There are some reports that Mr. Byrnes may attempt to bypass the various disputes by quietly undertaking direct dealings with Congressional tax experts. This strategy could be resorted to if it becomes clear the Treasury cannot shape a positive program reasonably sure of serious consideration by Congress."

Consumer Credit Rule Amended By Fed. Res.

An amendment by the Board of Governors of the Federal Reserve System to Regulation W, which controls consumer credit, was announced Aug. 30 by Matthew J. Fleming, President of the Federal Reserve Bank of Cleveland. Changes made by the amendment, which became effective Sept. 1, are administrative only, and are designed to help merchants meet manpower problems in extending charge account credit, says the advices from the Reserve Bank, which state:

"The first change raises from $5.00 to $10.00 the value of a listed article that may be delivered by a merchant to a charge account customer without first checking the customer's account to determine whether it is in default.

"The merchant continues to be subject to the rule that if he discovers later that the account is in default he must request the customer to return his purchase or else pay for it immediately.

"The second change provides that a merchant who desires to adopt "cycle billing" in order to effectuate operating economies may, by applying to the Federal Reserve Bank of his district, receive permission to use as the "default date," for each of his groups of accounts, the 40th day following the end of the applicable billing period instead of the 10th day of the second calendar month following the calendar month in which the purchases were made."

Renews Pledge To Poles

President Roosevelt, on the occasion of the fourth anniversary of the German attack on Poland, gave renewed assurances on Aug. 31 of "justice and liberation" to Europe's subjugated millions. The President exchanged messages with Wladyslaw Raczkieurcz, President of the Polish Government-in-exile in London.

The following in the matter was reported in Associated Press Washington advices:

"Poland's 'gallant and defiant stand' against the Nazi attack and her people's 'continued resistance to their cruel oppressors are an inspiration to us all,' the President said, and will help to 'assure victory.'

"The Polish President reaffirmed his country's 'solidarity with the great American democracy in defense of our common Christian heritage.' He expressed 'unshakable faith that the noble principles of the Atlantic Charter . . . will be fully realized after victory is achieved and will become the cornerstone of the coming world of peace, justice and human happiness.'"

Currie Named To OEW

Lauchlin Currie, Administrative Assistant to President Roosevelt, has been named executive officer of the Office of Economic Warfare, it was announced on Aug. 31 by Leo T. Crowley, OEW Director.

Mr. Crowley also appointed Hugh B. Cox, Assistant Attorney General, as General Counsel of the OEW and named Sidney H. Scheuer as Deputy Director in charge of imports. Mr. Cox succeeds Monroe Oppenheimer who, Mr. Crowley said, resigned in order to return to private law practice, while Mr. Scheuer replaces Morris Rosenthal who resigned.

Foreign Policy Declaration Of Republican Post-War Advisory Council

Proposal of Dewey for U. S. and British Alliance

The report on Foreign Policy, adopted by the Republican Post-War Advisory Council at Mackinac Island, Mich., on Sept. 7, in asserting that "when the war is ended we must participate in the making of the peace," declared that:

"This puts upon the nation a triple responsibility.

"(a) We must preserve and protect all our own national interests.

"(b) We must aid in restoring order and decent living in a distressed world.

"(c) We must do our full share in a program for permanent peace among nations."

Among other things, the report, which we hope to give in full another week, registers the approval of the Republican Party for the "prosecution of the war by a united nation to conclusive victory over all our enemies" and further declares its approval of:

"Responsible participation by the United States in post-war cooperative organization among sovereign nations to prevent military aggression and to attain permanent peace with organized justice in a free world."

As to domestic problems, it is set out that "we must eliminate all unnecessary regulation of the individual and of business, restore and protect small business, which has been so recklessly destroyed, and assure incentive and equal opportunity for the youth of America."

With respect to the report on foreign policy, advices to the New York "Times" from Turner Catledge at Mackinac Island, said:

"The Foreign Policy declaration must yet run the gauntlet of Wendell L. Willkie and other forces and personalities in the party who were not invited to take part in this conference. It operated for the moment, however, to subordinate the proposal of Gov. Thomas E. Dewey of New York for an open, frank stand for a continuing military alliance between the United States and Great Britain after the war.

"Mr. Dewey was a delegate to the conference but did not press for adoption of his suggestion once he had made it at a press conference Sunday. He was not even a member of the six-person subcommittee which framed the stand on foreign affairs, but was appointed to the body which framed the statement on domestic policy.

President Calls For Intensified Effort To Prevent Fire Destruct'n

President Roosevelt, in a proclamation designating Oct. 3 to 9 as Fire Prevention Week, appealed on Aug. 30 to the people of the country to take unusually acute measures "to conserve our human and material resources from destruction by fire."

Declaring that the nation's war program is menaced by an alarming increase in preventable fire losses, the President called upon State and local governments, the Chamber of Commerce of the United States, the National Fire Waste Council, all business and labor organizations, the pulpit, educators, civic groups, press, radio and motion picture industry to initiate programs that will vividly bring home to all our people the dangers of fires and the methods of controlling them. He also directed that the Office of Civilian Defense, Department of Agriculture, War Production Board, protective services of the War and Navy Departments and other appropriate federal agencies lend their active support and assistance to obtaining the objectives of his Proclamation.

Actively supporting the President's proclamation, the U. S. Chamber of Commerce has appealed to its members for greater efforts than ever before to eliminate fire hazards and arrest the upward trend of fire losses evident thus far this year. For more than 20 years, the National Chamber, with its thousands of member chambers of commerce, trade associations and industries, along with the National Board of Fire Underwriters, National Fire Protection Association and other members of the National Fire Waste Council, has sponsored Fire Prevention Week as a significant occasion for reducing the nation's enormous annual fire waste. The Chamber declares that gradually rising fire losses make necessary the most intensive and thorough campaign to eliminate fire hazards since President Woodrow Wilson issued the first Fire Prevention Week proclamation in 1920. In its advices the Chamber also says:

"In 1942, the national fire loss amounted to $315,000,000 but in 1943, fire losses, particularly in manufacturing plants and in the food processing and storage industry, have increased to an alarming extent. Fire losses for the first seven months of 1943 are estimated at $215,530,000, an increase of over $24,000,000 over the comparable period of 1942. With the approach of fall and winter, the seasons of heaviest fires, fire losses this year threaten to reach $400,000,000. So far in 1943 the toll of lives has not lessened from its annual toll of 10,000 killed throughout the country and a very much larger number of people injured. Since 1900, fire has killed over 425,000 people, a larger number than America has lost in all of her wars."

The Chamber also states:

"In critical 1943, when the offensive might of our armed forces is only just beginning to be felt decisively by our enemies, when it is vitally important that ever larger schedules of war production be met and maintained, when the vastly increasing war needs of material and manpower will require increasingly greater effort and sacrifice by all of our people, it is unthinkable that any patriotic citizen can fail to do his full part in eliminating fire hazards and the menace of fire to our war economy."

Urges More Workers In Newsprint Industry

The special House sub-committee investigating the newsprint shortage ended its tour of Canadian and United States paper pulp mills in Portland, Ore., on Aug. 31.

Members of the committee warned that newspapers will be on a starvation basis by next May unless workers are found to increase production.

The shortage can be ended and maximum production obtained with 40,000 more workers for the pulp industry in this country and Canada, said Representative Boren (Dem., Okla.) head of the group.

Associated Press accounts from Portland, Ore., reported that the committee will recommend to Congress that pulp and wood cutting be classified as essential, Mr. Boren said. The committee includes Representatives Wolverton (Rep., N. J.) and Beckworth (Dem., Tex.)

A previous item regarding the group's tour appeared in our issue of Sept. 2, page 930.

Four Steps In Approaches To Peace Proposed By Hoover

(Continued from first page)

have little chance of lasting peace. We must have something far more specific and definite than high aims, high ideals, sixty-four dollar words, good intentions, political avoidance or recriminations. Worse than this, we may out of such material have done no more than lay the kindling for World War III.

On this whole problem, I am daily more and more impressed with the fact that nations have often enough been successful in making war. But nations have never yet been successful in making lasting peace. More and more over the centuries the world has developed the art and method of making war. But the world has never developed an art and method of making peace. More and more the methods of peace have resulted in wider-spread catastrophe.

Surely it is time we have a new approach to peace-making. And that path must leave the century-old bright lights of eloquence and nebular words and explore the hard road of experience.

Hugh Gibson and I, from considerable participation in these problems over the last 25 years, have suggested for public consideration some ideas of a new approach. Several of the ideas which we originally put forward have now been adopted by powerful voices.

I propose to explore these ideas further with you. This program is at least realistic and positive. And it suggests common ground over which those of even divergent views on particular questions can travel with unity toward our common purpose of a lasting peace.

I had a teacher once who said, in effect, that wisdom does not consist so much of sixty-four dollar words about the ultimates as in knowing what to do next. And the next thing after that.

Therefore, I am going to examine with you what to do next. I may state the program first and the reasons afterwards. The program consists of four steps and there are 11 reasons.

Before we start on this exploration I may assure you that it does not embrace the usual democratic process of name calling. That is not a unifying or peaceful approach. From the Sermon on the Mount we learn that the peace-makers "shall be called the Children of God."

It would appear that unifying name only applies to the actual peace delegates and not to those who engage in advance discussion of what the delegates should do. In any event I will not take your time discussing "isolationists," "nationalists," "internationalists," or "Fascists." Our job is to find common ground, not to widen differences.

First Step

The first step in our proposal is to reach an agreement, before firing ceases, between all the United Nations that a few leading nations be appointed the joint Managers or Custodians or Trustees of Peace, and that there will not be the usual armistice or the usual general peace conference.

Second Step

The second step is an agreement between all the United Nations before victory over Germany, setting up the terms of a simple Provisional Peace which the Custodians or Trustees shall impose upon belligerent Europe the moment firing ceases, and later on Asia.

Third Step

The third step is a Transition Period from war to peace of a few years, in which the world can cool off and have time for deliberate solution of the long view problems of lasting peace.

Fourth Step

The fourth and last step, after the foundations of real peace have been laid, is then to create some sort of world institution to replace the Managers or Trustees and preserve peace.

The Trusteeship

Some immediate questions will arise in your minds as to the Trusteeship. A few great victorious nations are going to dominate the world anyway for a while after this war. They must do it of necessity to themselves. They always have done so after every great war. They did it after the world wars of the Napoleonic period and after the last World War. It would be a great and new step to peace if they did it out in the open, by a defnite authority with positive responsibilities and limitations.

I am not proposing a military alliance of a few victorious powers, arrogating to themselves domination over other nations such as has in reality followed those other world wars. Such alliances at once raise the antagonism and suspician of the balance of the world. A military alliance would undermine the moral influence of the Cusdians or Trustees and would add nothing to their strength.

The Provisional Peace

Questions will also arise in your minds as to the terms of the Provisional Peace.

These terms are certain and comparatively simple. They are the urgent measures necessary to get the world going again.

The first need of the world, more urgent even than bread, will be order. And the second need will be food. Hungry people abandon all restraint and defy all order. The next imperative need will be to restore economic production, for the starving cannot long be supported on charity. These questions admit no delay. Without them Europe and Asia will dissolve in chaos.

There are other urgent matters. There must be total disarmament of the enemy. Their leaders must be punished for crimes against mankind. They must return their loot, prisoners and displaced peoples.

There must be the restoration of sovereignty to those nations deprived of it. The Trustees would need at once to determine temporary boundaries for everybody.

The defeated nations should be required to hold free elections of representative bodies to initiate government and national life.

There should be provisional restoration of the former treaties about posts, telegraphs, ships and planes which are necessary to the reopening of economic life for the whole world.

And the Trustees should at once set up regional councils for Europe, Asia and the Western Hemisphere and such other committees of the United Nations as are needed to work out each of the host of long-view problems without the solution of which there can be no lasting peace.

These provisional questions are not difficult to settle. But they represent the stark necessities required to start the world housekeeping again.

The Transition Period

It is in a Transition Period that the gigantic problems which confront the world must and can be solved.

In the meantime the Trustee nations would need to guide these committees and police the world against any aggressors.

I may enumerate only a few of these problems to indicate their complexity and that time is needed for their solution. The future of the three great enemy countries and a lot of little ones must be settled. There are great territories to be justly disposed of. Militarism must be abolished. The face of these nations must be turned toward peace. Gangsterism cannot be abolished overnight. There is demobilization of the world to be brought about. There are many boundaries to be settled. There are peoples to be freed. There are peoples to be placed under guardianship. The Jewish refugee and the problem of Palestine must be settled. There are gigantic debts and reparations to be considered. There are a thousand problems of trade, of currency, of credit to be solved.

And all of these problems must be solved in such a fashion and with such justice as to allay or still the dynamic forces which have hitherto always bred war anew. These forces must not be stimulated as they were at Versailles, where they were made stronger for evil and more explosive.

And now I come to the 11 reasons for this program and the dangers we must avoid.

First Reason
Promoting Allied Unity

The first reason is one that has been made more impressive by the events of the last month. A suggestion to Russia and China from Britain and ourselves to participate in such a trusteeship of peace should carry conviction to them of our desire to march with them in peace making to the end.

And a statement to the enemy people that there will be a Provisional Peace based upon renewed self-government and revived economic life should convey to them our desire to restore them to the family of nations. Such an assurance to them might bring the war to a quicker end and save much human life.

The Second Reason
Gaining Preparedness for Peace Making

The second reason for this program is that we must resolve a double difficulty. That is how to keep unity during the war and achieve at the same time preparedness for peace in advance of victory. There is a well founded and instinctive fear that negotiation by our officials of the gigantic long-view questions during the war would disrupt the unity of the United Nations. Hence the escapist policy of every modern world war, "Victory first, discuss peace afterwards."

In consequence, aside from a few very general aims and platitudes, victorious nations have usually come to the peace table wholly without any real preparedness for the immense problems they must meet. I agree that we cannot negotiate these long-view questions without dangers. But we could negotiate the urgent matters which lay the foundation of provisional peace. There is no ground for disunity in them. Their settlement beforehand would promote unity. And incorporated in them is the machinery for amiable solution of the long-view questions after victory.

Third Reason
An Armistice Is Destructive

The third reason is that no lasting peace can be made as was attempted at Versailles in the middle of a military armistice. An armistice simply suspends the whole world between war and peace. The machinery and routines of both war and peace are out of action. It is thus a period of economic and political degeneration with an agonized world crying out for haste. The end is hasty compromise of principle and justice, not solution.

Fourth Reason
To Cool Off Hate and Greed

The fourth reason for this proposal is that the world must have time to cool off and recover a balance of judgment if a lasting peace is to be made.

When firing ceases the world will be filled with violent emotions. There will be white-hot hate and indignation at the enemy for having brought the world to this state. The air will be filled with fear and vengeance. This is no atmosphere for long-view statesmanship, which must distinguish between guilty leadership and misled peoples.

There will be another emotion present. That is greed or, more politely, self-interest. Each of the victorious nations will face a grim vista of impoverishment. The peoples of each nation will demand those things they believe will restore prosperity and security to them.

And these are not alone the emotions of statesmen. They are the emotions of the people at home. Statesmen are not their own masters. If they ever expect to be re-elected or have monuments to their memory, or get their agreements ratified they are forced to respond to the emotions of their people.

If there be a general peace conference in the midst of all these emotions, as has been the practice hitherto, then 40 nations will send 2,000 diplomats to orate, to conspire, quarrel, and grab. The world would be crying aloud for haste, that it be allowed to get back to living again. To keep passion, greed, expediency and compromise of principle out of the settlements under these pressures calls for more than human powers. Certainly if we are to have lasting peace, it must be based on more solid foundations than the emotions of war.

Does not all this suggest the necessity of a cooling-off period which we call the Transitional Period?

The Fifth Reason
To Get by the Period of Reaction

The fifth reason for this suggested approach to peace is that soon after firing ceases an inevitable reaction sets in. Our boys want to come home—and at once. They want to start life again. Their wives, mothers and fathers want them home. They are bound to bring home all their frictions, dislikes and opinions of the strange peoples with whom they have been operating. At home the people will be war-weary. All the suppressed frictions between Allies will come to the surface. The people just don't want anything more to do with "foreigners." A period of reaction toward isolationism is inevitable. And it would be further fanned by the headlines from a general peace conference, such as Versailles, daily arousing a thousand suspicions or misgivings and confirming their suspicions.

In this period of reaction nationalism will rise to such heights as to endanger all constructive plans. It will be a time of demagoguery and prejudice. The world needs time to let this pass.

The Sixth Reason
The Unknown Shape of Things to Come

The sixth reason for the program I suggest is that while nations are actually at war, or in the months after firing ceases, we cannot see the shape of things to come. These shapes are made by forces set in motion by the war and even long before the war. No one can for years predict their ultimate effect. The only thing man can be sure of is that after the war there will be profound change. If it were a question only of putting the world back to where it had been it would be hard enough to do. But the prewar world will never be like that again.

A peace-making that does not take account of these pressure of change will be certain to burst asunder. Surely we need a transition period in which to measure and accommodate these forces.

The Seventh Reason
Real Foundations Under A World Institution

There are those who believe we have only to quickly set up some League, or some Council or some World Institution or some Union or World Parliament and then unload all of our problems upon it. It is not that easy.

When issues are vast and intricate it is easy to dodge them that way and then announce that the world will go to the dogs if evil men fail to agree.

Neither anything like the League of Nations nor any kind of world institution to keep the peace could succeed amid the passions, the political and economic chaos that press on the heels of war.

There are a hundred gigantic problems that must be settled between nations before such an agency would have a chance. To force its adoption prematurely is to condemn it to inevitable failure.

The purpose of any world institution must be to preserve peace, not to make it.

They are two entirely different jobs. They must not be confused. Having lived through Versailles, and having had to deal with its consequences, I can give you an idea of what I mean. The Treaty of Versailles consisted of 613 paragraphs, of which only 26 dealt with the League Covenant. It was the 587 outside the League that did most to kill the League, and certainly it was the sins of omission and commission in these 587 paragraphs which laid some of the kindling for this war.

To solve these problems, to allay the forces of destruction and to build a new spirit in the world requires time. And a decisive hand which no world wide institution can exert.

The Temple of Peace cannot be erected until its foundations are well laid. If we make a good peace, it will largely preserve itself. If we make a bad one like Versailles, we shall simply be laying the kindling for World War III. And no machinery for preserving peace will stop it taking fire.

Eighth Reason
Preserving American Unity!

The next reason I will give you for this program bears upon our American national unity.

The formulation of some sort of World Institution to preserve peace is essential. Yet discussion of its details leads quickly to the most emotional and the most dangerous question that can be raised among us. That is how much we surrender of national independence and sovereignty.

I would like to suggest that if we adopt the Transition Period, we can develop the practice of cooperation in stopping aggression during that time and we will learn much as to method. Of equal importance, our people will have opportunity to consider and debate this whole question away from the emotions of war and the reaction toward isolationism which will inevitably follow. It is my belief that with a growth of experience and understanding the whole sovereignty question will become academic. But it takes time. Decision of this matter at the present time is about as important as the ancient worry over how many angels could stand on the point of a needle.

I have no doubt that with time and deliberation our people will no more consent to liquidate the independence of the United States than Mr. Churchill will consent to liquidate the British Empire or Mr. Stalin to liquidate the Soviet Republic. And none of that is necessary to preserve peace. And I may add that the primary safety of America will always rest in our strong right arm.

The Ninth Reason
Documents Are Not Peace

The ninth reason for this program is that out of five thousand years of war, an illusion has been built up in the human mind that war can be ended and peace made by signing a piece of paper. Especially if it is signed with pomp and circumstance. The world has deluded itself before now that such a signed paper is the dawn of a new day. Hasty documents written at the end of wars have an infernal way of becoming the prospectus of renewed war.

We must learn that it is the conduct of nations over years which counts, not the papers they sign. A little good will goes further than documents.

Tenth Reason
There Must Be Ratification

If we are to have peace, any agreement or any treaty in democracies must be ratified by the people at home. The people must have time to debate, understand and decide.

And we should be careful that our words do not carry more to other nations than we will perform and confirm. Neither by executive action nor Congressional resolution nor public assurance should we give the impression that the United States can be committed to anything without full free action by the Senate of the United States.

Is it not, therefore, better to go one step at a time and deal with different problems separately?

Eleventh Reason
The Sum of Experience

And I might add an overall reason which comes from the stern Voice of Experience. Do not the great peace settlements which followed the two other world wars of the last 150 years—those at Vienna in 1814 and at Versailles in 1919—confirm every one of these reasons for this program? Does anyone believe that either of these treaties would have been signed five years afterwards? That no abiding successful peace can be written in a few weeks or a few months under these pressures has been proven by the greatest tragedy of modern history—Versailles.

Conclusion

Is not the answer to these problems of peace-making that we must first concentrate our immediate thought on a definite program? And second, does not any program require defined and responsible leadership? And third, must we not have quick and strong action to restore order and the productivity of mankind? And fourth, must we not have time to settle our gigantic long-view questions? Time for emotions to cool off. Time to pass over the reaction which inevitably sets in from war. Time to assess the forces and change set in motion by war. Time to allay the dynamic forces which cause war. Time to deliberate. Time to deal openly with all proposals. Time for the peoples of the world to understand the solutions proposed. Time to rebuild justice, tolerance and good will. Time to build a real World Institution to preserve peace.

It was six years from the victory of Yorktown to the Constitution of the United States—and it was time well spent.

We have again taken up the sword to win lasting peace. For over one hundred and seventy years Americans have fought on a thousand battlefields and always that men might be more free and have peace. Their million graves demand of us that we do not fail them in the halls of peace-making.

Remember Toledo, Peoria And Western

(Continued from first page)

stances by armed violence and disorder), and promptly to accord to the late strikers substantially everything they had ever demanded. There had been no controversy over wages, but George P. McNear, Jr., the railroad's president, had tried to promote efficiency and economy by instituting sensible practices in substitution for the notorious "featherbed" rules by which both are defeated, men are compensated for idleness, and wastage of man-power is rewarded by premiums paid in cash. But whatever the merits or demerits of the "labor controversy" alleged to excuse confiscation, it was long ago "settled" and in the ordinary course the railroad should have been returned to its owners, and its highly efficient management restored although burdened with the excess costs of the arrangement for which it had refused to accept responsibility. No doubt that is what the great majority of the public suppose to have happened and most of them, in the intensity of their absorption in the war and related problems, have about ceased to think of Toledo, Peoria and Western and the gallant effort of its chief executive in support of conservation of manpower needed in the war effort and of sane and sound Americanism. But that is not at all what has occurred. Contrary to precedent, the railroad has not been restored to its owners, the old management has not resumed its functions, the Office of Defense Transportation continues to hold and operate the railroad, **not as much as one cent of compensation for the confiscation has passed from the United States, or for the National account, to the expropriated owners.** There is a reason. And thereby hangs a tale which must in fairness be told.

The President will not permit return of this little railroad to its owners because they have declined, and continue to decline, to pledge themselves to the perpetuation, that is to the "freezing" for all time, of the costly and wasteful methods imposed under the "featherbed" rules that private management had abolished but Government management reinstated in all their enormity and no advances will be allowed on account of the Constitutional "just compensation" except upon conditions seeming to commit the owners to complicity in all the wastefulness of official control. "Nor shall private property be taken for public use without just compensation" is the unqualified and final prohibition of the Fifth Amendment to the Constitution of the United States, but what is the Constitution when the Commander-in-Chief speaks and labor organizations of large membership claim vested rights in such unholy privileges as compelling three full days' pay for one days' work, one whole train-crew being paid for complete idleness while another crew receives double pay for obviating the delay in train movement which would result if the yard-crew were required actually to function. Yet this is precisely what happened repeatedly in connection with movements of live-stock trains through Peoria, and this is but one of many examples. Joseph B. Eastman, Chief of the Office of Defense Transportation, is, for a bureaucrat, an exceptionally clear-sighted individual and he is actuated by a strong desire to demonstrate that Government operation can be made tolerably efficient. Quite probably, as one suspects, his confidence in that consummation has waned considerably with the years, especially under the New Deal. Although he began his administration of Toledo, Peoria and Western by reinstatement of the vicious "featherbed" rules which private management had eliminated, he somewhat quaintly apologized for his action by explaining that he felt constrained to follow a course "in consonance with the generally prevailing standards of railroad pay and employment" and should not make "of that little railroad . . . a guinea pig and . . . undertake to set the pace by an innovation . . ." And so, as though all reforms should begin by general agreement or consensus and proceed in wholesale dimensions, the hardly achieved gains of the wise McNear policies were incontinently cast aside. But not forgotten. The record seems to show that as soon as they were nominally discarded, the Federal management quietly, almost clandestinely, proceeded by slow and cautious steps to attempt to regain what it had but lately given away. Undoubtedly, a measurable portion of what had been gained before the expropriation has now been regained, but by no means the whole. The effort to encroach upon the vicious network of absurd litigations and requirements arbitrarily insisted upon by the former strikers was surrounded by the utmost secrecy but there were leaks, the old management learned of some of its reforms that had been reinstated, it made inquiry as to others, but only to receive this curt official response: "As these are matters that are entirely the responsibility of the Federal management . . . no reply to your questions is deemed necessary." Quite, it will be observed the normal reply of an autocrat to an impertinent interrogatory from a mere subject, scarcely acceptable in a democracy from a public servant to an inquiring citizen. More of the truth was revealed when Mr. Eastman appeared before the Military Affairs Committee of the House of Representatives and felt impelled to boast a little of his achievements in the management of this confiscated property and of the millions of dollars that the Government has taken out of its so-called "earnings," the alleged "net" results being enhanced by immunity from the sales taxes of Illinois and because nothing whatever has been paid on account of interest due to bondholders nor for income taxes to the United States. Yet, ignoring such charges, the Government has actually realized, temporarily perhaps, over $3,000,000 from this exploit in expropriation of the property of its citizens. Comparing four months, July to October, inclusive, under private management in 1941 with the same months in 1942 under Government management, the results show an increase of 35.3% in compensation paid to employees as compared with an increase of 3.3% in work accomplished, measured in train-miles. Worse still, 30.4% more men were employed to work, altogether, 19.4% more hours, in performing that very little additional public service.

The labor conditions, now timidly being rectified in small part but in the direction of the solid achievements of the former private management, constitute but one phase of a situation that has many and amazing facets. Not all of these can presently be discussed. But the Constitutional rights of creditors and owners cannot be omitted from any fair summary. So far they have been totally ignored or denied anything in the nature of honorable and honest recognition. Innocent third parties have been injuriously and cruelly affected, as recklessly and inexcusably as though they were Hebrews living in Berlin. The Government took possession of every dollar and asset that the railroad could control, but it has declined to settle with many of its creditors. Hospitals and physicians who rendered aid urgently needed to employees wounded in the violent disturbances by which the strikers sought to enforce their demands have waited a year and a half for their compensation, and they still wait. The widow of a section-man who was killed while riding a pilot motor-car, to protect a train movement against depredations and violence dangerous to war materials in transit during the strike, has not been allowed the sad solace of the compensation agreed to by his employer. Last, of course, in New Deal reckoning, must come the claims of those relying upon the accumulations of their frugalities for all or part of their subsistence. The small bond issue of Toledo, Peoria and Western is distributed among some two hundred holders. The interest due to them is now more than a year in default and the Trustee under the First Mortgage by which payment is secured has commenced proceedings for a receivership of this actually and abundantly solvent railroad. Yet the interest has been fully and many times earned, it has been collected and is held by agents of the Government acting under direct orders from the President—the interest and every other just claim could immediately be paid whenever the ugly attitude of the authorities gave way to a spirit of fair play and the least minimum of decency.

Analysis ought not to stop at this point. These things have not happened without rhyme or reason, as might be suspected by the unitiated. Walter Lippmann once said something about purposes which are not clear and methods that are not direct. Here the revealed purpose may not be clear, the methods disclosed may not be direct, but the end officially planned can scarcely be misunderstood. It must be the wearing down of the resistance of the owners of this minor railroad until they see no recourse save to surrender their Constitutional right to receive just compensation and accept in substitution whatever may happen to be left to them out of the results of Government operation, taking back their capital, the expropriated railroad estate in its entirety in whatever condition it may be found whenever the authorities are pleased to permit the confiscation to end. Democracy, upon a large and continental scale, can operate only through men chosen under the democratic process. It is at its worst, it is no longer genuine democracy, when the men so chosen find means to ignore the solemn ordinances of a written and meticulously formulated Constitution and allow themselves and their actions to be dominated by petty considerations of personal prejudice, prestige, or pride; of personal suspicion, antipathy, or animosity; of personal cupidity, churlishness, or chagrin. Those who would have justice and decency prevail in America, who would condemn personal government vitiated by such base attributes of personality, should remember Toledo, Peoria and Western.

From Washington

(Continued from first page)

would conquer and subdue this tremendous reservoir of brawn and space was nonsense.

Now, Hitler not having done what the interventionist propagandists insisted he would do, it follows in their minds that Stalin accomplished a miracle. Having accomplished this miracle, the democratic world owes him a debt of gratitude; they must take him into their councils; they must have a peace understanding with him right now; he must be right in on the dismemberment of Germany; we must have this understanding with him, bring him into close association with us, otherwise he will dominate Continental Europe all by himself. It is this clamor, it is this agitation that has Messrs. Roosevelt, Churchill and Cordell Hull in a stew. It has the whole country in a rather dangerous stew. We've heard a lot from pretty much these same propagandists that we've got to beware of winning the war and losing the peace. This is exactly the way they are headed, but what burns our leaders up is that the agitators are not dealing with facts. They are becoming victims of their own propaganda.

Nothing would suit Churchill or Roosevelt better than to meet with Stalin but not on the grounds insisted by their tormentors. What is it these people would have Churchill and Roosevelt do? Get together with Stalin and agree to let him have Poland or part of it; let him have Finland, the Baltic States which he has taken? Is this the sort of post-war agreement which the agitators want discussed now? A post-war agreement would have to do with something like this.

But fortunately or unfortunately as the case may be, this is not the situation as concerns Russia at all. Instead of it being a case of what we will give Russia after the war and when we make the agreement, or of Russia overrunning Continental Europe, the real question now is how long Russia can physically stay in the war. She has been bled white; untold millions of her people have been killed or starved, or lost from other causes. She is existing on an almost starvation diet. Stalin's admittedly great accomplishment has been to keep his people fighting but he is nervous about the permanence of his Government. No despot has ever applied more iron-clad measures to keep things together. Stalin doesn't want any post-war understandings. He wants the war ended and quickly. That's the nerve racking problem with which Messrs. Roosevelt and Churchill are trying to deal. The agitation isn't helping them.

Among those conversant with these facts, one hears frequent concern that Stalin, to hold onto his government, may accede to Hitler's wiles for a separate peace. They put it this way, not that Stalin is seeking one. But frankly there is no real evidence that Hitler wants a separate peace with Stalin. He still has most of Russia's great wheatland and this is important to him. Indeed, the most recent authoritative information is that the people under his domain who are "cooperating" eat fairly well. Presumably he would lose this granary under a separate peace.

A separate peace does not seem to be our leaders' concern. What would more likely come would be a breaking up inside Russia, or rather this is more of a possible eventuality than a separate peace.

Harris Leaves OPA

The Office of Price Administration announced on Sept. 2 the resignation of Dr. Seymour E. Harris as Director of its Office of Export-Import Price Control. Dr. Harris has left the OPA to resume his former position as Associate Professor of Economics at Harvard University, but will continue to serve OPA as a consultant.

William F. Dunkman, heretofore Associate Director of the Office of Export-Import Price Control, has been named Acting Director in Dr. Harris' place. Mr. Dunkman is on leave of absence from the University of Rochester, where he is Associate Professor of Economics.

Pope Appeals For Just Peace To End War In Its Fifth Year

Pope Pius XII called upon the leaders of the world on Sept. 1 to "give all nations a justified hope of worthy peace which does not clash with their right to live and their sense of honor."

The Pope, declaring his views in a world broadcast over the Vatican radio, expressed hope and faith that the fifth year of war, which began Sept. 1, would see the end of the conflict. He called for "generosity" toward those nations "less favored than others by the trend of war at any given time" and admonished against actions which failed to encourage confidence, but, instead, renewed hatreds and strengthened determination to keep on fighting.

The following account of the Pope's message, as translated in London from the Italian by the British Ministry of Information, was reported by the Associated Press:

The Pontiff, referring to "the powerful and the leaders of peoples," continued: "May their wisdom, their moderation, their strength of mind and their deep sense of humanity throw a ray of comfort upon the tear-and-blood-drenched threshold of the fifth year of the war and give the survivors of the immense conflict, bent under a load of sorrow, the joyful hope that the year may not end under the sign and in the shadow of slaughter and destruction, but may be the beginning and the dawn of a new life, brotherly reconciliation and a thorough and concordant reconstruction."

It was with this hope, he said, that he bestowed the Papal blessing not only on all Catholics but also on "those who feel united to us in love and in the work for peace."

While he did not mention the "unconditional surrender" ultimatum under which the Allies are waging war, the Pope again and again urged a spirit of compromise. He did not identify specifically those nations whose present martial prospects are poor, nor did he mention Italy, the belligerent to which his phrase would apply most forcefully.

The Pope, in his message, stressed his view that a spirit of tolerance toward any nation actually defeated, or in prospect of being defeated, would not endanger the victors. "Real strength," he said, "need have no fear of generosity."

The Pontiff began by recalling that a few days before the war started he appealed for peace. Then, he said, his words did not enlighten the minds or enter into the hearts of the world leaders.

With the war entering the fifth year, he continued, those leaders who had reckoned on a speedy victory now see about them "nothing but grief and contemplate nothing but ruins."

The war is approaching a climax, the Pope said, and its gigantic struggles are arousing in all nations an aversion against the brutality of total war, which exceeds all honest limits and all rules of divine and human right.

The minds and hearts of the people, he said, are torn by doubt whether the continuation of the war can be in accordance with national interest and can be justified in the Christian and human conscience.

He said that he prayed that those whose task it is to achieve a peace would give to all nations "the justified hope of a worthy peace which does not clash with their right to live and their sense of honor."

To Pay On San Paulo 7s

J. Henry Schroder Banking Corp., as special agent, is notifying holders of State of San Paulo (United States of Brazil) 7% secured sinking fund gold bonds external water works loan of 1926, that it had received funds to pay on or after Sept. 1, 1943, 17.50% of the face amount of the coupons due March 1, 1941 appertaining to these bonds. The payment will amount to $6.125 for each $35 coupon and $3.0625 for each $17.50 coupon. The announcement also states:

"The acceptance of this payment is optional with the holders, but pursuant to the terms of presidential decree No. 23829 of Feb. 5, 1934, as modified by decree-law No. 2085 of March 8, 1940, payment if accepted must be for full payment of the coupons and of claims for interest represented thereby.

"Holders of March 1, 1941, coupons may obtain payment of the amounts prescribed upon presentation and surrender of the coupons at the office of the special agent, 48 Wall Street, New York.

"No provision has been made for unpaid coupons which matured prior to April 1, 1934, but they should be retained for future adjustment.

Broaden V-Loan Rules To Aid War Financing

Government guaranteed V loans will be made available to war contractors and subcontractors on a much broader basis than heretofore, effective immediately, under a plan jointly announced on Sept. 1 by the War and Navy Department, the U. S. Maritime Commission and the Federal Reserve Board.

The plan, it is pointed out in the announcement, is designed to assure contractors that their working capital invested in war production will not be frozen in the event of contract terminations. Interest on loans guaranteed under the new program will be assumed by the Government upon termination of contracts as under present Regulation V guarantees.

"This decision to broaden industrial credit facilities was reached with a view to preventing any lag in war production which might be caused by fear on the part of contractors that their capital would be tied up as contracts are cancelled in response to swiftly changing war requirements. This broadened V loan will go far toward allaying such fears.

The joint announcement further said:

"In the past, advances under V loans have been restricted, in general, to working capital needs for war production. The broadening of the plan will enable contractors to obtain the use of most of their own working capital immediately upon termination of their contracts. Banks will be enabled to make such advances at once, and with a minimum of complications. The establishment of such credit arrangements will greatly minimize the problem of termination of war contracts.

"The Services stress the fact that cancellation of contracts must not be construed as marking the beginning of a general curtailment of war production. On the contrary, with the war rapidly becoming one of movement, with great allied offensives in progress and in prospect, materiel requirements are subject to sudden and unavoidable changes, and it is essential to remove all possible causes of delays in war production.

"Details of the procedure for obtaining the liberalized V loans have gone forward to all Federal Reserve Banks from Washington.

"The contractor or subcontractor will obtain a V loan exactly as at present except that, if the loan is intended to free his own working capital upon termination of contracts as well as to provide him with working capital needed to finance them, then there are to be two changes in the present guarantee agreement, viz:

"(1) The bank will be required at all times to have a participation in the loan and, accordingly, the original percentage of guarantee specified in the guarantee agreement will not be increased by reason of contract cancellations, and

"(2) The bank must share with the Government any commitment fee which may not exceed ½ of 1% per annum on the undisbursed portion of the credit, in the same proportion that the guarantee fee now bears to the interest payable on V loans, viz: if the percentage of guarantee is

60%, the Govt's share is 10% of the commitment fee.

65%	12½%
70%	15%
75%	17½%
80%	20%
85%	22½%
90%	25%

"The amount of loans which a contractor will be entitled to obtain in the event of cancellations of his contracts will be stated in the loan agreement as a percentage of inventories, work in process, accounts receivable, and (without duplication) amounts paid or concurrently to be paid by him to subcontractors or suppliers by reason of contract cancellations. Subcontractors and suppliers will receive protection under this program, because a borrower will be required to pay them whatever he owes them in connection with the items used as a basis for the borrowing.

"Loan agreements under the new program will include provision for such amounts of working capital to carry out war production contracts, as may be needed by the contractor in the particular case. In general, where the amount of credit needed to carry out the war production contracts is small in proportion to the amounts needed to free his own working capital upon contract terminations, the maturity of the credits under the new program may be longer and a minimum of restrictions will be placed upon the borrower by the guaranteeing agencies.

"When cancellations of the borrower's contracts occur, the maturity of that part of the loan proportionate to the amount of the contracts cancelled will be suspended and interest waived thereon, as is now provided under V guarantees. This suspension of maturity and waiver of interest will apply whether the funds have been advanced to the borrower before or after the cancellations have occurred."

Special Army P. O. Postmark and Cachet

Postmaster Albert Goldman of New York announced on Sept. 2 that the War Department has arranged to operate an Army post office field unit at the "Back the Attack" exhibition to be held in Washington, D. C., from Sept. 8 to 26, 1943, inclusive, with provision for the postmarking of philatelic covers, on which an appropriately designed cachet will also be applied if sufficient space is allowed on the envelope. Collectors desiring covers dispatched through the Army post office may send self-addressed and stamped envelopes to the following address: "Postal Officer in Charge, Army Post Office, c/o Back the Attack, Washington 25 D. C." Covers will not be accepted unless postage at the first-class rate is affixed, and not more than 10 covers will be accepted from each collector. The special postmark will include within the circle the wording: "Army Postal Service, Washington, D. C." and date, and in the bars will appear "Back the Attack, Sept. 8-26, 1943."

Rent Control Law Ruled Invalid By Georgia Federal Judge; OPA To Appeal

The rent control section of the Emergency Price Control Act of 1942 was declared "invalid and unconstitutional" on Aug. 30 in a ruling by Federal District Judge Bascom S. Deaver in the Middle Georgia District Court, Macon.

Judge Deaver handed down the decision in the case of John W. Payne vs. J. H. Griffin, both of Thomasville, Ga., in which Mr. Payne had sued Mr. Griffin for damages on ground that Mr. Griffin had charged an above-ceiling rent.

The Office of Price Administration plans to appeal the decision, officials said in Washington on Aug. 30.

Regarding the case, an Associated Press Macon dispatch said:

"The jurist held that Congress had delegated too much power to the Rent Control Agency for setting prices. This resulted in rule by regulation of a Government agency instead of by law, making the rent control section unconstitutional, Judge Deaver held.

"Under the Rent Control Act, a tenant may sue for damages if a landlord violates the rent ceiling."

With respect to Judge Deaver's decision, Associated Press advices from Macon stated:

"Administrative agencies have become so numerous and government by regulations so extensive that courts, it is to be feared, may gradually yield to their unceasing insistence and permit the rights of the people to be destroyed and subject them to control by regulation, which result was never intended by the Constitution," Judge Deaver's opinion declared, adding:

"Conditions created by the war do not enlarge constitutional power. Congress must establish the standards of the legal obligations.

"It is easy for Government agencies, some of which apparently are opposed to any limitation of their power and are impatient of all constitutional restrictions, to admit the limitations stated in the Constitution and then to ridicule the idea that their powers are affected by them.

"The act of the (price) administrator in designating the entire United States as defense-rental areas affords an illustration of the dangerous tendency to assume and exercise powers never intended by Congress to be granted or by the Constitution to be exercised."

He asserted it "cannot be reasonably doubted" that rents should be controlled during the war but contended "fixing fair and equitable prices is a legislative function."

A previous Federal District Court ruling in Indiana, questioning the constitutionality of Federal rent controls, was set aside by the U. S. Supreme Court on technical grounds; it was referred to in these columns of June 3, page 2071.

Swedish Regulations On Foreign Exchange

In its series of publications on foreign exchange regulations, the Bank for International Settlements, Basle, Switzerland, has published a new pamphlet containing (in a German translation) all the "Regulations Regarding Foreign Exchange in Sweden." The advices from the Bank state that "this pamphlet includes the Decree of Feb. 25, 1940, regarding purchase and sale of foreign exchange, exportation and importation of means of payment and transferable securities, obligation to surrender foreign exchange, etc., together with communications from the Sveriges Riksbank regarding purchase and sale, importation and exportation of foreign exchange, accounts in free and blocked currencies, etc., and also the list of authorized banks."

This compilation (of 16 pages) can be obtained from the Monetary and Economic Department of the Bank for International Settlements in Basle at a price of 1.20 Swiss francs.

In our Sept. 2 issue reference was made on page 927 to the publication by the World Bank of a compilation of "Foreign Exchange Regulations in the Various Countries."

Robert Morris Associates Elect

At the annual meeting of the Robert Morris Associates, held in the central office in Philadelphia on Sept. 1, the following were elected officers and directors for 1943-44:

President—Arnulf Ueland, Midland National Bank & Trust Co., Minneapolis.

First Vice-President — Carlisle R. Davis, State Planters Bank & Trust Co., Richmond.

Second Vice-President — Kenneth K. DuVall, City National Bank & Trust Co., Chicago.

Directors for two years:

David V. Austin, Manufacturers Trust Co., New York City.

Stanley W. Black, Jr., American Trust Co., Charlotte, N. C.

Robert H. Bolton, Rapides Bank & Trust Co., Alexandria, La.

Charles B. Petersen, Northern Trust Co., Chicago.

John H. Stephan, First National Bank, Madison, Wisc.

Warren B. Unbehend, Lincoln National Bank & Trust Co., Syracuse, N. Y.

Continuing directors whose terms expire in 1944 are:

W. Earle Blakeley, National Bank of Detroit.

Carlton J. Daiss, Wells Fargo Bank & Union Trust Co., San Francisco.

Arthur L. Moler, Fifth Third Union Trust Co., Cincinnati.

Earl K. Mueller, Central-Penn National Bank, Philadelphia.

Ernest E. Nelson, Brown Brothers Harriman & Co., Boston.

D. C. W. Ward, Jr., Union Trust Co. of Maryland, Baltimore.

The meeting was presided over by J. Wilson Steinmetz, retiring President of the organization, Vice-President of the Ninth Bank & Trust Co., Philadelphia.

The annual conference of the Associates is to be held at the Hotel Statler in Buffalo on Oct. 20-21, at which time the newly elected men will take office.

U. S., Iceland Pact

The State Department at Washington announced on Aug. 27 that a reciprocal trade agreement between the United States and Iceland has been signed.

The agreement, according to the Associated Press, is designed to facilitate trade during the present emergency and to provide a basis for expanded post-war trade. The treaty is effective within 60 days, after necessary formalities, and is due to run for three years.

The Associated Press further reported:

"Although Iceland has only 122,000 people, its trade with America in relation to its population is comparatively large. Iceland bought $442,000 worth of American goods in 1939—the last year for which figures are published—and sold the United States $1,375,000 worth of products.

"The pact gives the United States tariff concession in fruits, cereals, vegetable oils, agricultural and business machinery, lubricating oils and rubber boots.

"Reciprocally, the United States grants concessions on fish and other products."

Result Of Treasury Bill Offerings

Secretary of the Treasury Morgenthau announced on Sept. 3 that the tenders for $1,000,000,000, or thereabouts, of 91-day Treasury bills to be dated Sept. 9 and to mature Dec. 9, 1943, which were offered on Sept. 1, were opened at the Federal Reserve Banks on Sept. 3.

The details of this issue are as follows:

Total applied for, $1,281,212,000.

Total accepted, $1,004,913,000 (includes $54,471,000 entered on a fixed-price basis at 99.905 and accepted in full).

Range of accepted bids:

High—99.909 equivalent rate of discount approximately 0.360% per annum.

Low—99.905 equivalent rate of discount approximately 0.376% per annum.

Average price — 99.905 plus, equivalent rate of discount approximately 0.375% per annum.

(85% of the amount bid for at the low price was accepted.)

There was a maturity of $908,689,000 of bills on Sept. 9.

As to the Aug. 27th offering of $1,000,000,000 of 91-day bills, dated Sept. 2 and maturing Dec. 2, the Treasury revealed the following results:

Total applied for—$1,177,631,000.

Total accepted — $1,001,879,000 (includes $59,548,000 entered on a fixed-price basis at 99.905 and accepted in full.)

Range of accepted bids:

High—99.925 equivalent rate of discount approximately 0.297% per annum.

Low—99.905 equivalent rate of discount approximately 0.376% per annum.

Average price—99.905 equivalent rate of discount approximately 0.375% per annum.

(96% of the amount bid for at the low price was accepted.)

There was a maturity of a similar issue of bills on Sept. 2 in amount of $904,992,000.

Regarding the Aug. 20 offering of bills, dated Aug. 26 and maturing Nov. 26, the Treasury gave the following details:

Total applied for, $1,277,910,000.

Total acepted, $1,002,333,000 (including $68,329,000 entered on a fixed price basis at 99.905 and accepted in full).

Range of accepted bids:

High, 99.911; equivalent rate of discount approximately 0.348% per annum.

Low, 99.904; equivalent rate of discount approximately 0.376% per annum.

Average price, 99.904+ equivalent rate of discount approximately 0.374% per annum.

(90% of the amount bid for at low price was accepted.)

There was a maturity of a similar issue of bills on Aug. 26 in amount of $905,310,000.

With respect to the previous week's offering of $1,000,000,000 of 91-day bills, dated Aug. 19 and to mature on Nov. 18, the Treasury reported the following results:

Total applied for—$1,420,407,000.

Total accepted—$1,005,236,000 (includes $75,820,000 entered on a fixed-price basis at 99.905 and accepted in full).

Range of accepted bids:

High—99.909 equivalent rate of discount approximately 0.360% per annum.

Low—99.905 equivalent rate of discount approximately 0.376% per annum.

Average price—99.905 equivalent rate of discount approximately 0.375% per annum.

(97% of the amount bid for at the low price was accepted.)

There was a maturity of a similar issue of bills on Aug. 19 of $906,813,000.

As to the offering on Aug. 6 of $1,000,000,000 or thereabouts, of 92-day Treasury bills, dated Aug. 12 and to mature on Nov. 12, 1943, details of the result of that issue were as follows:

Total applied for — $1,431,223,000.

Total accepted — $1,006,839,000 (including $74,646,000 entered on a fixed-priced basis at 99.905 and accepted in full).

Range for accepted bids:

High—99.912 equivalent rate of discount approximately 0.344% per annum.

Low—99.904 equivalent rate of discount approximately 0.376% per annum.

Average price — 99.904 equivalent rate of discount approximately 0.374% per annum.

(71% of the amount bid for at the low price was accepted.)

There was a maturity of a similar issue of bills on Aug. 12 in amount of $906,987,000.

Treasury Simplifies Tax Estimate Form

Some 15,000,000 taxpayers who must file a "declaration of estimated income and Victory tax" on Sept. 15 may do so on a short, simplified form, if they choose, the Treasury Department announced on Aug. 5.

Covering estimated income, after personal exemptions and credit for dependents, up to $10,000, it makes an average allowance for earned income credit and other deductions such as interest, taxes and contributions. It is similar in principle to the short form income tax return, introduced two years ago as a simplification procedure. That form, however, covered gross income only to $3,000.

Generally, the new declaration must be filed by single persons earning more than $2,700, married persons earning more than $3,500, and all persons, regardless of marital status, who filed a return for 1942 and whose 1943 income is expected to be less than that of 1942. Certain other taxpayers also must file.

In Associated Press Washington advices, the following was reported:

It must be accompanied by at least one-half the amount of tax still due above that deducted under the 20% withholding levy. The second half must be paid by Dec. 15, and a final return for 1943, together with a declaration of estimated income tax for 1944, must be filed by next March 15. At that time, too, taxpayers must pay one-half the unabated portion of their 1942 (or 1943, if it is lower) tax liability. The final payment on unabated taxes is due March 15, 1945, after which collections will be on a truly pay-as-you-go basis.

The actual declaration, which is being mailed between Aug. 15 and 20 to all income tax payers whether or not they are required to file it, measures only 4 by 8 inches. It is accompanied, however, by a larger instruction sheet, on which detailed instructions are provided, together with a form for computing the taxable income and a table for estimating the amount of tax liability.

A still larger "taxpayer's work sheet" also will be available at internal revenue collectors' offices for persons who wish to compute their liability more precisely.

The declaration has only these six lines for figures:

1. Estimated income and Victory tax for 1943.
2. Estimated income and Victory tax withheld during entire year.
3. Estimated tax after deducting estimated tax withheld (item 1 minus item two.).
4. Total payments to collector during 1943 for 1942 income tax.
5. Unpaid balance of estimated tax (item 3 minus item 4).
6. Amount paid with this declaration (not less than one-half of item 5).

Wage and salary earners are allowed a 20% margin of error for estimating their income and may file an amended declaration by Dec. 15. Farmers are allowed a 33⅓% margin of error. Penalties are provided when the estimate is beyond those permissible margins.

Farmers, too, are not required to file the declaration until Dec. 15, but it must be accompanied at that time by the full amount of the balance due.

Advertising Campaign To Promote War Loan

An advertising campaign to promote the Third War Loan in New York City — believed the largest of its kind in the history of the city—will begin today (Sept. 9) it was announced by Arthur DeBebian, Second Vice-President of the Chase National Bank and General Chairman of the advertising division of the New York War Finance Committee.

"About 200 national and local advertisers have already scheduled space in newspapers of this city," Mr. DeBebian said. "Individual appropriations for this purpose range from $250 to $28,000, and call for a total expenditure of 600,000 in newspaper space alone."

The retail establishments of the city, he said, also would use much space, concentrating it on the four Thursdays during the drive.

In addition Mr. DeBebian announced, business firms of New York have contributed 1600 24-sheet billboard posters in the five boroughs at an estimated cost of $50,000. More than 200 Third War Loan flags which will be flown at convenient locations throughout Manhattan also have been contributed.

OPA Seeks To Restore Living Costs To September 1942 Levels

The cost of living will be restored to the September, 1942, levels and will be maintained at that level for the duration, it was pledged on Sept. 3 by Chester Bowles, General Manager of the Office of Price Administration.

Mr. Bowles made this promise in replying to a letter from Representative Sabath (Dem., Ill.) Chairman of the House Rules Committee, who had criticized the Administration's policy of acceding to the "unappreciative" farm group's "demand and clamor for more and more benefits."

Regarding Mr. Bowles' letter, United Press Washington advices said:

Mr. Bowles, in his reply, broke the food price problem into two parts, farm prices and distribution margins. With regard to farm prices, Mr. Bowles wrote to Representative Sabath that Congress had imposed certain important restraints on the power of OPA to impose ceilings and that any change in basic policy in this respect must come from Congress. But he was optimistic about the results of the Administration's new price stabilization program and the new food program.

"Altogether," Mr. Bowles wrote, "we expect that measures already in operation will eliminate well over half of the rise in the cost of living which took place between Sept. 15, 1942, the base date for wage and price stabilization named in the stabilization act, and May, 1943.

"The food program, the details of which are now being worked out, will, we believe, complete the job and restore the cost of living to the September, 1942, levels.

"Once that objective has been accomplished, our policy will be to maintain the cost of living at that level for the duration."

Republican Committees Named At Mackinac

The permanent committees of the Republican Post-War Advisory Council, named to study various phases of domestic and international affairs, were announced on Sept. 6 by Harrison E. Spangler, Chairman of the Republican National Committee, at a meeting of the Council on Mackinac Island, Mich.

The membership of the committees follow:

Foreign Policy and International Relations—Senator Vandenberg of Michigan, Senator Austin of Vermont, Gov. Green of Illinois, Gov. Martin of Pennsylvania, and Representatives Bolton of Ohio, and Eaton of New Jersey.

Post-war Enterprise, Industry and Employment — Gov. Bricker of Ohio, Senator Hawkes of New Jersey, Gov. Kelly of Michigan, Gov. Snell of Oregon, Gov. Baldwin of Connecticut, and Representative Dirksen of Illinois.

Social Welfare and Security—Gov. Warren of California, Senator Hawkes, Gov. Sharpe of South Dakota, Gov. Vivian of Colorado and Mrs. Bertha Baur of Illinois and Mrs. Dudley Hay of Michigan, members of the Republican National Committee.

Financial Taxation and Money —Senator Taft of Ohio, Gov. Saltonstall of Massachusetts, Gov. Griswold of Nebraska, John G. Townsend Jr., of Delaware, Chairman of the Republican National Senatorial Committee; Representative Woodruff of Michigan, Representative Carter of California, and Henry Leonard of Colorado, National Committee member.

Reform of Government Administration — Gov. Dewey of New York, Senator Vandenberg, Gov. Bacon of Delaware, Gov. Wills of Vermont, Representative Ditter of Pennsylvania, Representative Miller of Missouri, Clarence Budington Kelland, National Committeeman from Arizona, and H. Alexander Smith, National Committeeman from New Jersey.

Labor — Representative Halleck of Indiana, Senator Austin, Gov. Martin, Gov. Donnell of Missouri, Gov. Blood of New Hampshire, Gov. Kelly, Gov. Thye of Minnesota, and Dan Whetstone, National Committeeman from Montana.

Agriculture — Senator McNary of Oregon, Gov. Hickenlooper of Iowa, Gov. Sewall of Maine, Gov. Ford of Montana, Gov. Bottolfsen of Idaho, Representative Hope of Kansas and Representative Andresen of Minnesota.

International Economic Problems — Representative Reed of New York, Senator Taft, Gov. Schoeppel of Kansas, Gov. Langlie of Washington, Gov. Goodland of Wisconsin, Representative Rogers of Massachusetts and Representative Reece of Tennessee.

Small War Plants To Get Ship Parts Orders

A definite program of closer cooperation between the U. S. Maritime Commission and the Smaller War Plants Corporation has been developed, it was announced jointly Aug. 26 by Admiral Emory S. Land, Chairman of the Commission, and Robert W. Johnson, Chairman of the Corporation.

The Commission and the Corporation, the statement said, "will use their best efforts, jointly and severally, to cause smaller plants to be utilized in the production of articles, equipment, supplies and material needed in the construction of vessels in the Commission's program to the extent intended by Public Law No. 603 (Seventy-seventh Congress) and consistent with the delivery requirements of the Commission's production schedules."

In advices from its Washington bureau, the New York "Herald Tribune" said:

"As a means of accomplishing this, the Commission has set up a small-business section in each of the four regional maritime construction offices and is using its best efforts to establish a small business section within each of the purchasing offices of private shipyards having contracts with the Commission."

The advices also stated that the Corporation has set up a maritime staff and will also have a maritime supervisor in each of the 14 SWPC regional offices. The advices added:

"In distinguishing between large plants and recommended small war plant applicants who can produce a specified article, the Commission will recognize the fact that the unit cost to a small plant may be greater than the per unit cost to a large plant, and that in order to mobilize the production capacity of all plants, in accordance with the SWPC act, it may be necessary to pay a higher unit price to the small plant."

Predicts Tax Action To End Pay-Go

A "radical" revision of the Federal tax bill, abolishing pay-as-you-go, was predicted on Sept. 3 by Representative Gearhart (Rep., Calif.), member of the House Ways and Means Committee.

Mr. Gearhart indicated, according to United Press advices from Fresno, Calif., that he would advocate some form of sales tax in place of the current legislation, which he said was a "complicated system of estimates and re-estimates, calculations and recalculations, adjustments and readjustments" with "penalties, penalties and penalties at the end of the trail." He said the present system would have to be abandoned for "established ways of producing Federal income."

"The proponents of the present act, realizing the failure of their program, are calling for 'simplification,' thereby sugarcoating their admission that the whole act is a complete failure," Mr. Gearhart said. "Pay - as - you - go - as-you-know-you-owe must be substituted for pay-as-you-go-before-you-know-what-you-owe."

Co-Directors Named For Petroleum Corp.

The appointment of Secretary of State Hull, Secretary of War Stimson, Secretary of the Navy Knox and Leo T. Crowley, Director of the Office of Economic Warfare, as co-directors of the new Government-established Petroleum Reserves Corporation was announced on Aug. 30 by Secretary of the Interior Ickes, who is President of the corporation.

The new agency, chartered with $1,000,000 capital stock and unlimited borrowing powers, is authorized to engage outside this country in acquiring crude oil stocks, storing, processing and distributing them, and operating refineries, pipe lines and other facilities, according to the Associated Press.

In a statement, Mr. Ickes said:

"I regret that no information can be made public at this time as to the corporation's work. It is engaged in war activities of a nature requiring secrecy for their success. However, the public will be informed of the scope and nature of its general purposes just as soon as this can be done without imperiling the prosecution of this war in which petroleum plays such a decisive part on all fronts."

Canadian Blue Print Calls For Post-War World Organization Embracing All Nations

The Canadian Institute on Public Affairs has drafted a blueprint for a post-war world organization embracing all nations, if possible, and committed to maintain peace by military force, if necessary, it was made known on Aug. 29, following a series of roundtable conferences held at Lake Conchiching, Ontario.

A draft of conclusions reached at the conferences, according to Canadian Press advices, published in the New York "Times said that the delegates had agreed that membership in the proposed organization should be universal, but that the United States, the British Commonwealth, Russia and China, as the four great world powers, should have a lead in world affairs by the assurance of council seats. Other seats should be elective, the delegates recommended.

Other recommendations, said the Canadian Press, were:

1. The creation of an international police force empowered to call on member nations for armed help.

2. The recognition of air power as the chief weapon in policing the world.

3. The preparation of a plan, to be implemented on Germany's surrender, to avoid national and international anarchy.

4. The formation of a bureau to correlate information from "observers" posted throughout the world on any movement or threat to world order.

5. The outlawing of any nation withdrawing from the organization.

Six Months' Earnings OF NYSE Listed Cos. 17.7% Above 1942

The net income of 460 corporations having common stock listed on the New York Stock Exchange for the first half of 1943 is estimated to have increased 17.7% over the corresponding 1942 period, according to a tabulation contained in the August issue of "The Exchange," monthly publication of the Stock Exchange. However, the publication points out that this "rather surprising increase" in net earnings of 19 groups of corporations must be viewed with some reservation since comparatively few made any reckoning of the effects of war contract renegotiations, the setting up of reserves to cover contingencies, adjustments of taxes, etc.

The Exchange's magazine further comments:

"Nevertheless, stockholders will be impressed by the progress made by several categories over the corresponding 1942 period. The automotive division, for example, reversed strongly the tendency of profits in the first six months of last year: in 1942 the group reported a decline of no less than 51.3% from the showing of 1941, against an increase of 29.2% this year.

"The amusement group, bolstered by moving picture companies, came through with a gain of 49.3% this year against a decline of 9.1% in 1942. And petroleum companies recovered their pre-war stride by estimating a rise of net income amounting to 19.5%, in contrast with a decline of 3.9% the year before.

"All except one of the 19 groups (steel, iron and coke), reported gains, whereas last year all but two revealed declines from the 1941 showing.

"The railroad gain of 41.2% portrayed again the ability of this group to absorb tax burdens and increasing costs when the traffic curve continues to rise. The net income gain of the carriers—41.2%—stood in contrast with a 42.6% upturn in the first half of last year. As railroads are less subject than industrial corporations to revisions of revenue receipts on account of war exigencies, it may be pre-supposed from the figures that the rail debt retirement will make an impressive display when 1943 results become public.

"The half-year brought a resurgence of estimated electrical equipment company net income, an increase of 11.2% standing in contrast with a recession of 28.6% last year. Viewing the improvement of such divisions as electrical equipment and automotive, it is fair to assume that the first six months of this year saw plant and machine adaptation to war production fully completed, resulting in largely increased production and effective economies.

"This is emphasized by the fact that 303 of the 460 companies covered by the table showed an improvement over the 1942 period; last year only 154 of 450 companies reported net income gains over the first half of 1941."

Sees Post-War Shifts Of People And Industry

The National Resources Planning Board issued on Aug. 26 a lengthy study, "Industrial Location and National Resources," in which it said that "major adjustments between population and industry will be required after the war if a high degree of employment is to be achieved on a peace-time basis."

The NRPB, which was ordered by Congress to wind up its affairs by Aug. 31, declared in its study:

"The task of aiding private industry in providing economic opportunities for men to be demobilized from the armed forces and from munitions industries will demand careful attention both to the conversion of war-production centers to peace-time activities and to the establishment of new industries based on the resources of under-developed sections of the country."

The Board also announced that it would publish later, probably in September, an additional study proposing ways in which some of the post-war industrial readjustments may be achieved.

Regarding the present study, which was submitted to President Roosevelt last February, the Associated Press reported as follows:

"Representing the first comprehensive analysis of the subject to be made in this country, these studies are primarily concerned with a review of the various factors which influence plant-location decisions and which therefore are shaping the geographic pattern of American industry.

"The American economy is and always has been an expanding economy, and each decade has brought with it significant changes in the geographic pattern of industry. But never before have these changes been so rapid as since the beginning of the defense period.

"By the end of 1943 the expansion of our manufacturing facilities for war-production purposes will total approximately $18,000,000,000, more than $15,000,000,000 of this investment representing Federal funds.

"Through this tremendous investment we have not only vastly increased the nation's manufacturing plant, but we have brought about important changes in the geographical pattern of manufacturing.

"The consequence of these changes will have a permanent influence on the growth and development of the nation. Because of these great changes both private industry and local, state and Federal agencies of government have become increasingly aware of the necessity of giving careful thought to plant-location decisions. This report has been prepared to meet the growing need for objective analysis of locational problems."

Such detailed analysis was promised in the next study. The present study is intended to provide industrial executives and public officials with a basis for evaluating the locational distribution of industry and for measuring likely changes in this pattern.

During the war, the report said, the location of manufacturing facilities has often been governed by strategic considerations such as speed of output and safety from enemy attack. Many plants have thus been located in areas which manufacturers would not normally have chosen for their operation.

"Consequently," the report added, "major readjustments between population and industry will be required after the war if a high degree of employment is to be achieved on a peace-time basis."

Canada Takes Over Peace River Bridge

The American-financed bridge on the Alaska Highway over the Peace River was presented to Canada on Aug. 30 in a ceremony held at Fort St. John, British Columbia, formally opening the structure. The bridge was hailed as a new link in the friendship of Canada and the United States.

Representatives of the British Columbia and American Governments and Canadian and American Army officials witnessed the ceremony. Regarding the exercises, Associated Press accounts from Fort St. John said:

"Herbert Anscomb, Minister of Public Works for British Columbia, represented Premier John Hart in receiving the bridge.

"'I accept this bridge,' he said, 'in the name of the Dominion and provincial governments. It will be a binding link between the two great nations in the North American Continent.'

"Mr. Anscomb and Senator Scrugham, head of a six-man Senate subcommittee making an inspection tour of the Alaska highway area, combined to manipulate the scissors cutting the red, white and blue ribbon stretching across the southern entrance to the bridge.

"Ceremonies were opened by Brigadier General James O'Connor, commanding officer United States Northwest Service Command, who termed the opening 'an historic threshold in the development of our continent.'"

Justice Department Shifts Divisions To Aid War

Reassigning the functions and personnel of the Criminal and War Divisions of the Department of Justice were announced on Aug. 28 by Attorney General Francis Biddle.

Tom C. Clark, Assistant Attorney General, who has headed the Anti-Trust Division, becomes the head of the Criminal Division, while Wendell Berge, Assistant Attorney General, who has been in charge of the Criminal Division, takes over the Anti-Trust Division.

The War Frauds Unit of the War Division is transferred to the Criminal Division.

Mr. Biddle said the work of the War-Frauds Unit had expanded to such a degree that it was advisable to shift the unit into the Criminal Division. The change centers all criminal prosecution, except tax and anti-trust cases, in this Division.

In shifting Mr. Berge to the Anti-Trust Division, Mr. Biddle recalled that he had served there before and was "specially qualified to direct vigorous war-time prosecution of the anti-trust law."

Treas. Rules Amended On Money Orders For Forces Abroad

The Foreign Funds Control Division of the Treasury Department on Aug. 25 amended its regulation relating to the sending of postal money orders to or from members of the United States armed forces.

The ruling follows:

FOREIGN FUNDS CONTROL

(1) Certain transactions authorized notwithstanding General Ruling No. 5A. A general license is hereby granted, notwithstanding General Ruling No. 5A, authorizing the following transactions:

(a) The exportation of any United States postal money order drawn in favor of a member of the armed forces of the United States or other authorized person and sent through the Army Post Office or other official channels of the United States armed services or carried by a member of the armed forces of the United States or other authorized person departing from the United States;

(b) The importation of any United States postal money order sent by a member of the armed forces of the United States or other authorized person to the United States through the Army Post Office or other official channels of the United States armed services or carried into the United States by a member of the armed forces of the United States or other authorized person;

(c) The importation of any personal check drawn by a member of the armed forces of the United States or other authorized person against an account within the United States in favor of a payee within the United States and sent to the United States through the Army Post Office or other official channels of the United States armed services;

(d) The negotiation, collection or payment of, or any other dealings in or with respect to, any item authorized to be imported by paragraph 1(b) and 1(c) above.

(2) Transactions not authorized. This general license shall not be deemed to authorize any transaction (i) by, or on behalf of, or pursuant to the direction of, a national of a blocked country (other than an authorized person), or (ii) involving property in which a national of a blocked country (other than an authorized person) has, at any time on or since the effective date of the Order, had any interest.

(3) Definitions. As used in this general license, the term "authorized person" shall mean any individual who is with the armed forces of the United States in the course of his service with such forces or who is accompanying such armed forces in the course of his employment by the Government of the United States or any organization acting on its behalf.

Work Week Extended To 48 Hours In N. J.

The War Manpower Commission's order calling for a 48-hour work week in the Newark (N. J.) industrial area went into effect on Aug. 23.

In Newark advices, Aug. 23, to the New York "Herald Tribune," the following was reported:

"Officially, less than half the employees in the Newark critical labor-shortage area were put on the new schedule today. Major Howard J. Lepper, Acting Director of the WMC for the area, said that 243,609, or 43% of the area's 730,000 workers, began the longer work week and that there still is considerable paper work to be done before all workers are under the mandatory 48-hour-week regulation of the WMC.

"Department stores are still to be processed, he said, and one of the problems in the reorganization of work schedules for store employees is to avoid their use of public transportation facilities during rush periods, in accordance with the staggered working hours which have been in effect in New Jersey for nearly a year.

"Despite some relief in the labor situation as a result of the extended work week, the Newark area still is sorely pressed for additional workers, Major Lepper said. He reported that an extensive campaign to recruit 40,000 women workers in the area by Jan. 1 has started. The jobs are set aside specifically for women workers, he said, and must be filled.

"The Newark area is the first section of the metropolitan district to come under the mandatory 48-hour week regulation of the WMC. Forty other areas, including Somerville, N. J., also have extended the work week."

July Truck Freight Volume 9.3% Over 1942

The volume of freight transported by motor carriers in July showed a decrease of 1.3% under June, but held 9.3% over July, 1942, according to reports compiled and released on Aug. 30 by the American Trucking Associations, Inc.

Comparable reports were received by ATA from 229 motor carriers in 40 States. The reporting carriers transported an aggregate of 1,806,499 tons in July, as against 1,829,594 tons in June, and 1,652,188 tons in July, 1942.

The ATA index figure, computed on the basis of the average monthly tonnage of the reporting carriers for the three-year period of 1938-1940 as representing 100, was 192.67. The June index was 194.60.

Approximately 88% of all tonnage transported in the month was transported by carriers of general freight. The volume in this category showed a decline of 2.7% under June, but held 9.4% over July of last year.

Transporters of petroleum products, accounting for a little more than 6% of the total tonnage reported, increased 4.4% over June, and 13.5% over July, 1942.

Haulers of iron and steel products reported 2% of the total tonnage. The volume of these commodities showed an increase of 7.4% over June, and an increase of 15% over July of last year.

Almost 3½% of the total tonnage reported was miscellaneous commodities, including tobacco, milk, textile products, coke, bricks, building materials, cement and household goods. Tonnage in this class showed an increase of 6.1% over June, but decreased 3.6% under July, 1942.

J. J. O'Donohoe Dies

James J. O'Donohoe, former President of the New York Produce Exchange, died on Aug. 25 in the Staten Island Hospital, New York. Mr. O'Donohoe, who was 51 years old, was a partner of the firm of O'Donohoe, Quain & Co., grain brokers. A native of Canada, Mr. O'Donohoe began his career with the Grain Growers Export Co., Ltd., Winnipeg, Canada, and later became managing director of the Grain Growers Export Co. of New York. He joined the New York Produce Exchange in March, 1915. He became a member of the Grain Committee of the Exchange in June, 1925, and assumed chairmanship of this committee in July, 1930, serving in that capacity until June, 1932. He served on the Board of Managers from 1927 to 1931 and was elected President of the Produce Exchange in 1939. Mr. O'Donohoe served as President for two one-year terms—until June, 1941.

National Fertilizer Association Commodity Price Index Continues To Advance

The weekly wholesale commodity price index, compiled by The National Fertilizer Association and made public on Sept. 6, continued a fractional advance for the fifth consecutive week. In the week ended Sept. 4 this index advanced to 135.5 from 135.3 in the preceding week. It was 134.8 a month ago and 129.0 a year ago. The Association's report added:

The farm products group continued to advance with increasing prices of cotton, grains, eggs, hogs and lambs. The foods group continued its upward trend as further advances in eggs and cottonseed oil quotations more than offset the decline in potatoes. The increase in cotton was sufficient to effect a fractional advance in the textiles group. After remaining at the same level for 23 consecutive weeks, the chemicals and drugs group has moved into higher ground due to an advance in the ceiling price level for alumina sulphate. During the week none of the group averages in the composite index declined.

During the week 10 price series advanced and only 4 declined; in the preceding week there were 12 advances and 3 declines; and in the second preceding week there 11 advances and 4 declines.

WEEKLY WHOLESALE COMMODITY PRICE INDEX
Compiled by The National Fertilizer Association
1935-1939=100*

% Each Group Bears to the Total Index	Group	Latest Week Sep. 4, 1943	Preceding Week Aug. 28, 1943	Month Ago Aug. 7, 1943	Year Ago Sep. 5, 1942
25.3	Foods	138.8	138.6	138.0	130.7
	Fats and Oils	146.0	145.7	145.6	141.0
	Cottonseed Oil	162.4	161.3	160.7	156.1
23.0	Farm Products	156.4	155.6	154.0	139.4
	Cotton	195.0	194.0	195.5	176.8
	Grains	148.3	147.9	146.5	114.9
	Livestock	152.6	151.6	149.0	139.0
17.3	Fuels	122.8	122.8	122.8	118.8
10.8	Miscellaneous commodities	131.0	131.0	130.1	126.9
8.2	Textiles	150.5	150.3	150.6	147.3
7.1	Metals	104.4	104.4	104.4	104.4
6.1	Building materials	152.5	152.5	152.5	151.4
1.3	Chemicals and drugs	127.7	126.6	126.6	120.7
.3	Fertilizer materials	117.7	117.7	117.7	117.9
.3	Fertilizers	119.8	119.8	119.8	115.3
.3	Farm machinery	104.1	104.1	104.1	104.1
100.0	All groups combined	135.5	135.3	134.8	129.0

*Indexes on 1926-1928 base were Sept. 4, 1943, 105.6; Aug. 28, 105.4, and Sept. 5, 1942 100.5.

Munitions Production Up 3% In July, Nelson Announces In Monthly Report

Munitions output increased 3% in July, moving away from the level of April, May and June, it was announced on Aug. 31 by Donald M. Nelson, Chairman of the War Production Board.

In the thirteenth of a series of monthly reports, Mr. Nelson said that the munitions production index, which covers ships, planes, tanks, ordnance, quartermaster and miscellaneous items, stands at 593 for July, as compared with 573 for June. A 17% increase in the field of signal equipment was one of the most noteworthy achievements of the month, Mr. Nelson reported, adding that ground ordnance not only increased 6% over June but came out even with the schedule and reached a new high. He further stated that aircraft and related munitions also helped to dominate the month's production showing, moving 5% ahead of the preceding month. Chairman Nelson's report also stated:

"If our production goals are to be achieved, production step-ups must continue during the next six months the good record of production increases of the past year and a half. Until recently munitions production in terms of points in the index was increasing on the average by more than 25 points each month. The July increase was 20 points. The average increase for May and June was only 5 points.

"The progress of munitions production during the month was as follows:

Expanding Programs

"In many programs production problems have been largely licked and peak production rates have been achieved or are not far off. The most difficult production problems that remain are concentrated in three major programs where important further increases are required: airplanes, signal equipment and army ammunition. In these areas the July record was as follows:

	Increase from June	Inc. from July 1942
Airplanes	4%	143%
Army ammunition	0%	45%
Signal equipment	17%	145%

"Monthly aircraft production measured in pounds, more than doubled since July, 1942, and is scheduled to double again before the end of 1944. During the month 7,373 planes were produced. The 4% increase in July over the June level included a 19% increase for fighters and an 8% increase for transports. Heavy bombers showed a gain of 13%. The failure of aircraft production to increase more sharply was due to a variety of factors including design changes and labor shortages. Aircraft ordnance increased slightly more than aircraft production during July.

"Tactical gliders have been produced in large volume in recent months, and represent a significant addition to the airplane output of the aircraft industry. These are not included in the aircraft production figures given above.

"Army ammunition which had increased sharply in May and June showed no change from the June level during July. Ground and aircraft signal equipment made an excellent record in July, an increase of 17% above the May and June level.

Ship Construction

"Ship construction calls for sharp step-ups in the immediate future, but peak rates are not far off. The record of work done on these programs is:

	Increase from June	Inc. from July 1942
Naval vessels	7%	85%
Merchant ships	4%	81%

"These figures on ship construction take account of work done on ships not yet completed as well as of deliveries of completed ships. Deliveries of naval vessels in July, on a tonnage basis, were substantially lower than deliveries for June. Deliveries of destroyers and destroyer escorts were up 25% from June; submarines continued to be turned out at the June rate while deliveries of patrol craft increased only slightly.

"Deliveries of completed merchant vessels were at the June rate. By the end of July, 10,000,000 tons of the 19 scheduled for the year had been completed.

Stable and Declining Programs

"The remaining programs, although presenting a number of problem areas for groups and individual items, either call for increases to levels in 1944 which offer no problems of the magnitude of the groups above, or else have already passed their peaks: artillery, anti-aircraft guns, small arms, combat and motor vehicles, and miscellaneous and quartermaster items." The July record for selected areas was as follows:

	Increase from June	Inc. from July 1942
Artillery, AA guns & small arms	5%	95%
Combat vehicles	9%	55%
Quartermaster and misc. supplies	4%	16%
Motor vehicles	6%	22%

Randolph Paul Urges Simplifying Tax Laws

Randolph E. Paul, General Counsel, the Treasury Department, asserted on Aug. 24 that there was an "immediate need" for simplification of the tax laws. In an address before the American Bar Association Tax Section in Chicago, Mr. Paul called upon members of the Association to cooperate with Government representatives in a joint endeavor to find the tax solution.

Regarding his remarks an Associated Press account reported:

"Complete simplification (of the tax laws) is, of course an impossible goal," Mr. Paul declared. "Much possible simplification," he added, "is a long-term task. There is, however, an immediate need for simplification where the mass coverage of the income tax accentuates the hardship imposed by unnecessary complexities in the application of the law.

"As an example," Mr. Paul said, "I suggest the complications which the Victory tax, with its different exemptions and deductions, presents in our regular income tax structure. Integration of that tax with our established income tax is seriously to be considered.

"Again, the elimination of the now relatively insignificant and falsely named earned income credit would go far to simplify our tax computations," the Treasury counsel opined, adding:

"These computations are also made unnecessarily complex by the retention of a normal tax and a surtax on the same dollars of income. Integration of rates into a simple schedule can be accomplished without depriving partially tax exempt securities of their present exemption."

Elimination of the capital stock tax, Mr. Paul asserted, "would vastly relieve the burden of tax counsel and the overworked executives of your corporate clients." On the Government side, he said. such an elimination would free administrative personnel to work on more significant revenue-producing taxes and relief provisions.

Resigns From OWI

Nicholas Roosevelt, Deputy Director of the Office of War Information. has submitted his resignation effective Sept. 2, but Director Elmer Davis said he had not accepted it and hoped to persuade Mr. Roosevelt to change his mind. Mr. Roosevelt. liaison officer between the OWI and the armed services, told Mr. Davis in his letter of resignation that he felt he had accomplished all he could on the liaison job. He had been on the editorial staff of the New York "Herald Tribune" prior to his appointment to the OWI last November.

Roosevelt & Churchill Conclude War Talks: Promise Sea, Land & Air Action On All Fronts

President Roosevelt and Prime Minister Winston Churchill of Great Britain concluded on Aug. 24 their Anglo-American war conference in Quebec, declaring that "the necessary decisions have been taken to provide for the forward action of the fleets, armies and air forces of the two naions."

In a joint statement, the President and Prime Minister stated that the "whole field of world operations has been surveyed" with the military discussions "turned very largely upon the war against Japan and the bringing of effective aid to China."

As to the European field, Mr. Roosevelt and Mr. Churchill declared that "full reports of the decisions so far as they affect the war against Germany and Italy will be furnished to the Soviet Government." It was also pointed out that "another Anglo-American conference will be held before the end of the year," in addition to any tripartite meeting which it may be possible to arrange with Soviet Russia.

Agreement, the joint statement added "was also reached upon the political issues underlying or arising out of the military operations."

The text of the joint statement made Aug. 24 by President Roosevelt and Prime Minister Churchill follows:

"The Anglo-American war conference which opened at Quebec on Aug. 11 under the hospitable auspices of the Canadian government has now concluded its work.

"The whole field of world operations has been surveyed in the light of the many gratifying events which have taken place since the meeting of the President and the Prime Minister in Washington at the end of May, and the necessary decisions have been taken to provide for the forward action of the fleets, armies and air forces of the two nations. Considering that these forces are intermingled in continuous action against the enemy in several quarters of the globe, it is indispensable that entire unity of aim and method should be maintained at the summit of the war direction.

"Further conferences will be needed, probably at shorter intervals than before, as the war effort of the United States and British Commonwealth and Empire against the enemy spreads and deepens.

"it would not be helpful to the fighting troops to make any announcement of the decisions which have been reached. These can only emerge in action.

"It may, however, be stated that the military discussion of the Chiefs of Staff turned very largely upon the war against Japan and the bringing of effective aid to China. Mr. T. V. Soong, representing the Generalissimo Chiang Kai-shek, was a party to the discussions.

"In this field, as in the European, the President and the Prime Minister were able to receive and approve the unanimous recommendations of the Combined Chiefs of Staff. Agreement was also reached upon the political issues underlying or arising out of the military operations.

"It was resolved to hold another conference before the end of the year between British and American authorities, in addition to any tripartite meeting which it may be possible to arrange with Soviet Russia.

"Full reports of the decisions so far as they affect the war against Germany and Italy will be furnished to the Soviet government.

"Consideration has been given during the conference to the question of relations with the French Committee of Liberation, and it is understood that an announcement by a number of governments will be made in the latter part of the week."

President Roosevelt on Aug. 17 joined Prime Minister Churchill at Quebec for their conference on the war—this having been the sixth such meeting between the President and Mr. Churchill since Aug. 1941. The Prime Minister arrived in Canada on Aug. 10, when he entered into discussions with Prime Minister W. L. Mackenzie King of Canada. President Roosevelt told his press conference in Washington on Aug. 10 that his talks with Mr. Churchill would be strictly Anglo-American. On Aug. 20 Cordell Hull, U. S. Secretary of State, (who arrived in Quebec that day), and Foreign Secretary Anthony Eden of Great Britain, dined and conferred with the President and Mr. Churchill.

The President and the Prime Minister brought their meeting to an end at a press conference on Aug. 24 on the terrace of the Citadel, where they have been deliberating for eight days. Said the Associated Press:

"Nothing of the strategy directives that have been sent to military commanders in the field was disclosed. But the two leaders spoke with utter confidence of the future."

Associated Press accounts from Quebec Aug. 24 also stated that Mr. Churchill made it clear that the war against Japan had held an important place on the conference agenda. Russia is not fighting Japan, and the Prime Minister left the definite impression that she had not been invited to send representation here for that reason.

It was disclosed at Washington on Aug. 15 that the President and Mr. Churchill conferred for three days at the President's Hyde Park (N. Y.) home; the Prime Minister, who had previously (Aug. 12) viewed Niagara Falls from the Canadian side, crossed to the American side during his sightseeing trip. After his Hyde Park talks with the President, he returned on Aug. 15 to Quebec, while the President went back to Washington.

Dr. White Confers With N. Y. Reserve On Currency Stabilization

Dr. Harry D. White, Director of Monetary Research of the Treasury Department, met with the directors and officers of the Federal Reserve Bank of New York on Sept. 2 to discuss the problem of international currency stabilization. It was said that various aspects of the problem were considered, including the question of whether an international stabilization fund is desirable at this time. The specific proposals contained in the latest version of the so-called White plan, and possible alternatives to an international stabilization fund or clearing union were also discussed.

It is understood that no conclusions were reached. It is indicated that the Foreign Relations Committee of the Board of Directors of the Bank, which has been studying the problem for some time, was asked to consider it further and, with the officers of the bank, to make a report and recommendations to the Board. A similar conference, although on a much larger scale was held at the Chicago Federal Reserve Bank on Aug. 26, sponsored by five Mid-West Reserve Banks. Reference to that meeting appeared in our Sept. 2 issue, page 928.

Harvesting General For Canadian Crops

Harvesting is now general in Manitoba, Saskatchewan and Southern Alberta, the Bank of Montreal says in its Aug. 26 crop report. According to the report, "indications are for good yields of grain where moisture conditions have been satisfactory, but in the dry areas of Saskatchewan and Alberta excessive heat and lack of rain have taken a heavy toll and yields will be light."

The bank's report also says:

"In Ontario, fairly good progress has been made with the harvesting of spring grains and threshing of fall wheat is general. . . .

"In the Province of Quebec, due to excessive rain, harvesting of a heavy hay crop has not yet been completed. Cutting of an average crop of grain is progressing slowly. . . .

In the Maritime Provinces, heavy rains have further retarded operations and delayed growth, and warm, dry weather is urgently needed. In British Columbia, cooler weather with some rain has been experienced, but conditions generally have remained favorable for crop development."

U. S., Canadian and British Group To Report On Pulp

Establishment of a joint United States - Canada - United Kingdom committee to report on the requirements and supplies, uses, production and distribution of the pulp and paper industries in the three countries, was announced on Aug. 23 by Donald M. Nelson, Chairman of the War Production Board. Associated Press advices from Washington, Aug. 23, said:

The committee is jointly sponsored by the Combined Production and Resources Board and the Combined Raw Materials Board.

Charles E. Adams, Chairman of the board of the Air Reduction Co., and U. S. Industrial Alcohol Co. and associated with a number of other corporations, was named chairman of the joint committee.

Canada is represented by Morris W. Wilson, President of the Royal Bank of Canada and director of a number of Canadian companies. Sir Clive Baillieu, British member of the Combined Raw Materials Board, will represent the United Kingdom.

Pernambuco Interest

Holders of State of Pernambuco (United States of Brazil) 7% external sinking fund loan due March 1, 1947 are being notified that interest due March 1, 1941 will be paid beginning Sept. 1 at the rate of $5.6875 per $35 coupon, upon presentation to White, Weld & Co., special agents, 40 Wall Street, New York. Unpaid interest coupons of this issue, namely those maturing from Sept. 1, 1931 to March 1, 1934, inclusive and on Sept. 1, 1937, must remain attached to the bonds for future adjustment in accordance with the decree of the Federal Government of Brazil dated Feb. 5, 1934, and modified March 8, 1940.

Give Dinner For Cohoe Chemical Society Head

Wallace P. Cohoe, newly-elected President of the Society of Chemical Industry, will be honored at a dinner given at the Waldorf-Astoria Hotel in New York on Oct. 22. Foster D. Snell, Chairman of the American Section of the Society, announces that committees have been appointed to arrange for the dinner. Among those heading these groups are James B. Conant, President of Harvard University; Walter Murphy, Editor of "Industrial and Engineering Chemistry;" Walter S. Landis, Vice President of American Cyanamid Co., and S. D. Kirkpatrick, Editor of "Chemical and Metallurgical Engineering."

Gross And Net Earnings Of United States Railroads For The Month Of June

The earnings of the railroads of the United States for the month of June did not reach the previous high peaks, but nevertheless, continue at very high levels. Gross earnings of these roads were $747,372,904 against $623,695,612 in June, 1942, a gain of $123,677,292, or 19.83%. Net earnings amounted to $295,434,014 in June this year as against $245,225,980 in the like month of last year, an increase of $50,208,034, or 20.47%. The ratio of expenses to earnings in June, 1943, was 60.47% which compares with 60.68% in the same period of 1942. We now give in tabular form the results for the month of June, 1943, as compared with the month of June, 1942:

Month of June—	1943	1942	Incr. (+) or Decr. (—) Amount	%
Mileage of 132 roads	229,302	231,368	— 2,066	—00.89
Gross earnings	$747,372,904	$623,695,612	+ $123,677,292	+ 19.83
Operating expenses	451,938,890	378,469,632	+ 73,469,258	+ 19.41
Ratio of earnings to expenses	(60.47%)	(60.68%)		
Net earnings	$295,434,014	$245,225,980	+ $50,208,034	+ 20.47

As is our custom in these monthly reviews, let us regard the trade activity in the various industries which have a direct bearing on the operations of the railroads. In order to show the relation between the general business indices and railroad earnings, we have arranged in the appended tabulation a detailed summary of the figures indicative of the activity in the more essential industries, together with statistics covering grain and livestock receipts and revenue freight carloadings for the month of June of the current year in comparison with the corresponding period for the years 1942, 1941, 1932 and 1929:

June—	1943	1942	1941	1932	1929
Building ($000):					
zConstr. contracts awarded	229,599	1,190,264	539,106	113,075	529,891
Coal (net tons):					
‡Bituminous	34,650,000	48,220,000	43,319,000	17,749,000	38,580,000
§Pennsylvania anthracite	3,227,000	5,122,000	5,072,000	2,550,000	5,069,000
Freight Traffic:					
¶Carloadings, all (cars)	*3,151,146	*3,385,655	*3,510,057	†2,454,769	†5,260,571
††Livestock receipts:					
Chicago (cars)	6,775	6,633	5,596	10,050	15,085
Kansas City (cars)	2,519	3,065	2,064	4,192	6,100
Omaha (cars)	1,632	1,850	1,315	3,130	6,021
‡‡Western flour and grain receipts:					
Flour (000 barrels)	*1,432	*1,598	*1,630	*1,315	*1,841
Wheat (000 bushels)	*46,241	*18,746	*43,767	*19,844	*24,803
Corn (000 bushels)	*11,550	*21,025	*17,687	*5,429	*20,145
Oats (000 bushels)	*8,373	*3,466	*3,396	*3,409	†8,181
Barley (000 bushels)	*13,131	*6,942	*7,944	*1,298	*3,233
Rye (000 bushels)	*3,246	*1,020	*2,458	*322	*657
Iron and Steel (net tons):					
§§Steel ingot production	7,027,101	7,015,302	6,792,751	1,036,102	5,573,076
Lumber (000 ft.):					
¶¶Production	x	*1,082,556	*1,078,242	*427,733	*1,527,032
¶¶Shipments	x	*1,174,036	*1,132,529	*487,286	*1,495,521
¶¶Orders received	x	*1,221,813	*1,267,305	*466,175	*1,447,009

Note—Figures in above table issued by:

x Only percentage available. z F. W. Dodge Corp. (figures for 37 States east of Rocky Mountains). ‡National Bituminous Coal Commission. §United States Bureau of Mines. ¶Association of American Railroads. ††Reported by major stock yard companies in each city. ‡‡New York Produce Exchange. §§American Iron and Steel Institute. ¶¶National Lumber Manufacturers' Association (number of reporting mills varies in different years). *Four weeks. †Five weeks.

On examination of the compilation presented above, we observe that almost half of the items listed showed downward trends in volume of activity. Commencing with construction, we find that total valuation of contracts awarded in the 37 states east of the Rocky Mountains revealed a major decrease of $960,665,000 below the same month of 1942, but only a minor decline of 2% from the preceding month. In regard to June, 1943, coal production, the bituminous coal industry evidenced a drastic contraction, one of 13,570,000 net tons below June, 1942, output, while the Pennsylvania anthracite also suffered a serious reduction, one of 1,895,000 net tons, below its 1942 total. Tonnage of steel ingots and castings produced in the month under review aggregated 7,027,101 net tons which was substantially below the May total of 7,545,379 net tons and only slightly in excess of June, 1942, when 7,015,302 net tons were produced. At the Western lake and river ports flour and grain arrivals, in general, advanced upward in volume of activity with the exception of flour and corn receipts. Lumber shipments for the five weeks ended July 3, 1943, were 7.6% less than the average for the same period in the latest three years (1940-1942). Based on reports of identical mills for equivalent working periods, lumber shipments were 2% and orders 7% above production. Loading of revenue freight on the railroads of this country totaled 3,151,146 cars, a decrease of 6.93% from June, 1942, which current figure, however, cannot be taken as a true one on account of heavier loading of cars and longer haul per ton.

In all that has been said above we have been dealing with the railroads of the country as a whole. Let us turn from the factors underlying railroad operations, and analyze the individual roads and systems.

Of the 132 carriers reporting to the Interstate Commerce Commission, 74 of them were able to surpass their 1942 gross earnings for the month of June, while 58 roads were able to translate their gross earnings into net earnings of $100,000 or more.

Heading gross and net listings with gains of $15,432,952 and $8,649,868, respectively, was the Southern Pacific. Second in both categories, we find the Union Pacific with improvements of $12,616,428 in gross and $6,194,848 in net over 1942. The Pennsylvania which for the first time this year did not record a major increase in the net occupied third position in the gross listing by bettering last year's gross earnings by $8,970,562, while the Atchison Topeka & Santa Fe had a net increase of $5,484,577 reaching third place in that category. Exceptionally good results were also registered by the New York Central, Chicago Rock Island & Pacific, Chicago Milwaukee St. Paul & Pacific, Chicago Burlington & Quincy and the Great Northern. As for decreases, the Chesapeake & Ohio was foremost in the gross and net with sharp declines of $1,912,250 and $2,674,216, respectively.

The subjoined tabulations indicate clearly all major fluctuations in excess of $100,000, whether they be increases or decreases, in both gross and net earnings for the separate roads and systems:

PRINCIPAL CHANGES IN **GROSS** EARNINGS FOR THE MONTH OF JUNE

	Increase		Increase
Southern Pacific (2 roads)	$15,432,952	Yazoo & Mississippi Valley	$470,039
Union Pacific	12,616,428	Alton	437,378
Pennsylvania	8,970,562	Spokane Portland & Seattle	410,209
New York Central	*8,870,778	Chicago Great Western	407,721
Atchison Topeka & Santa Fe	8,429,145	Penn. Reading Seashore Lines	324,242
Chicago Rock Island & Pacific	4,976,114	Minneapolis St. Paul & S. S. M.	288,800
Chicago Milwaukee St. Paul & Pacific	4,685,505	Canadian Pacific Lines in Maine	278,086
Great Northern	4,615,318	Alabama Great Southern	278,058
Chicago Burlington & Quincy	3,748,119	Louisiana & Arkansas	257,442
Atlantic Coast Line	3,448,335	New Orleans & Northeastern	248,811
Northern Pacific	2,759,416	Georgia Southern & Florida	237,253
Illinois Central	2,671,190		
St. Louis-San Francisco (2 rds.)	2,495,463	Chicago St. Paul Minneapolis & Omaha	212,879
Louisville & Nashville	2,489,345	Central Vermont	183,846
Missouri Pacific	2,393,138	Staten Island Rapid Transit	177,258
Baltimore & Ohio	2,342,527	Burlington-Rock Island	175,774
Southern	2,263,757	Tennessee Central	174,043
Seaboard Air Line	2,194,293	Toledo Peoria & Western	160,122
Chicago & North Western	2,098,024	Gulf Mobile & Ohio	153,043
		Minneapolis & St. Louis	151,668
New York New Haven & Hartford	1,973,421	New York Ontario & Western	137,630
Missouri-Kansas-Texas	1,857,864	Georgia	127,400
Texas & Pacific	1,776,389		
Denver & Rio Grande Western	1,775,180	Chicago Indianapolis & Louisville	126,294
Florida East Coast	1,512,793	Atlanta & West Point	123,971
Western Pacific	1,502,649		
Erie	1,486,971	New York Susquehanna & Western	123,822
Wabash	1,418,835	Duluth Winnepeg & Pacific	107,300
St. Louis Southwestern	1,400,391	Northwestern Pacific	100,054
Nashville Chattanooga & St. Louis	1,142,374	Total (74 roads)	$129,109.173
Pere Marquette	1,030,946		
Long Island	1,002,453		
New Orleans Texas & Mexico (3 roads)	950,130		Decrease
New York Chicago & St. Louis	809,603	Chesapeake & Ohio	$1,912,250
Chicago & East Illinois	749,454	Norfolk & Western	1,365,104
Colorado & Southern (2 roads)	699,281	Virginian	572,387
		Pittsburgh & Lake Erie	499,650
Richmond Fredericksburg & Potomac	681,188	Bessemer & Lake Erie	364,576
Lehigh Valley	628,003	Elgin Joliet & Eastern	262,658
Kansas City Southern	611,781	Monongahela	202,400
International Great Northern	600,845	Lehigh & New England	171,998
Central of Georgia	591,616	Delaware & Hudson	161,199
		Duluth Missabe & Iron Range	154,229
Cincinnati New Orleans & Texas Pacific	527,680	Wheeling & Lake Erie	113,438
Grand Trunk Western	513,000	Cambria & Indiana	102,546
Delaware Lackwanna & Western	492,774	Total (12 roads)	$5,882,435

*These figures cover the operations of the New York Central and the leased lines—Cleveland Cincinnati Chicago & St. Louis, Michigan Central, Cincinnati Northern and Evansville Indianapolis & Terre Haute. Including Pittsburgh & Lake Erie, this increase is reduced to $8,371,128.

PRINCIPAL CHANGES IN **NET** EARNINGS FOR THE MONTH OF JUNE

	Increase		Increase
Southern Pacific (2 roads)	$8,649,868	Tennessee Central	$170,235
Union Pacific	6,194,848		
Atchison Topeka & Santa Fe	5,484,577	Chicago St. Paul Minneapolis & Omaha	168,787
New York Central	*4,439,304	Georgia Southern & Florida	162,193
Chicago Rock Island & Pacific	3,156,591		
		Canadian Pacific Lines in Maine	157,217
Chicago Milwaukee St. Paul & Pacific	2,972,157	Grand Trunk Western	147,131
Chicago Burlington & Quincy	2,515,060		
Great Northern	2,270,435	Delaware Lackawanna & Western	143,750
Atlantic Coast Line	1,926,567	Spokane Portland & Seattle	140,252
Northern Pacific	1,854,307	Minneapolis & St. Louis	127,585
Louisville & Nashville	1,678,492		
Southern	1,147,566	Pennsylvania-Reading Seashore Lines	127,582
St. Louis-San Francisco (2 rds.)	1,106,440	Toledo Peoria & Western	126,773
Seaboard Air Line	1,091,943	Staten Island Rapid Transit	122,132
Western Pacific	1,073,244	New Orleans & Northeastern	114,470
Florida East Coast	1,047,593	Minneapolis St. Paul & S. S. M.	113,338
Chicago & North Western	982,676	Burlington-Rock Island	108,721
Denver & Rio Grande Western	952,121	Alabama Great Southern	102,539
St. Louis Southwestern	937,378		
Wabash	838,812	Total (58 roads)	$60,282,773
			Decrease
New York New Haven & Hartford	781,859	Chesapeake & Ohio	$2,674,216
Long Island	749,104	Norfolk & Western	1,805,602
Texas & Pacific	722,374	Reading	703,291
		Bessemer & Lake Erie	701,939
New Orleans Texas & Mexico (3 roads)	608,238	Boston & Maine	554,336
		Virginian	546,112
Nashville Chattanooga & St. Louis	606,084	Pittsburgh & Lake Erie	504,090
Erie	570,904	Elgin Joliet & Eastern	444,401
Pere Marquette	486,962	Duluth Missabe & Iron Range	397,454
New York Chicago & St. Louis	434,924	Delaware & Hudson	295,230
Chicago & East Illinois	405,762	Wheeling & Lake Erie	224,918
Illinois Central	389,653	Gulf Mobile & Ohio	208,839
		Baltimore & Ohio	193,596
Richmond Fredericksburg & Potomac	367,912	Central of New Jersey	181,754
Colorado & Southern (2 roads)	350,898	Monongahela	181,343
Missouri-Kansas-Texas	332,409	Lehigh Valley	174,086
		Clinchfield	147,350
Cincinnati New Orleans & Texas Pacific	299,820	Lehigh & New England	135,960
Alton	236,369	Cambria & Indiana	126,075
Central of Georgia	203,499	Norfolk Southern	123,341
International Great Northern	202,445		
Chicago Great Western	180,873	Total (20 roads)	$10,323,933

*These figures cover the operations of the New York Central and the leased lines—Cleveland Cincinnati Chicago & St. Louis, Michigan Central, Cincinnati Northern and Evansville Indianapolis & Terre Haute. Including Pittsburgh & Lake Erie, this result is reduced to $3,935,214.

Navy War Bond Sales Over $245 Million

The Interdepartmental War Savings Bond Committee announced on Aug. 24 that total sales of War Bonds by the Navy Department since inception of the program amounted to $245,670,532 as of July 31, 1943. From the announcement we quote:

"During the month of July sales amounted to $27,783,065.25, the largest in any month since the Navy bond program began. This exceeded the previous record in April of $21,675,572.75 by $6,107,492.50 and exceeded June sales by $6,683,619.00. The tremendous increase was due primarily to two factors, the special Independence Day Sale of bonds for cash and the increase in military allotments of over a million dollars.

The following table shows the breakdown of sales into cash, payroll savings and allotments for July and for the previous month.

Type of Sale	July	June	Increase
Cash	$8,427,956.25	$3,383,943.75	$5,044,012.50
Payroll savings (civilian employees)	15,091,787.75	14,581,350.00	510,437.75
Military Allotments:			
Navy	3,320,812.50	2,749,687.50	571,125.00
Marine Corps	380,981.25	203,850.00	177,131.25
Coast Guard	561,527.50	180,615.00	380,912.50
Total	$27,783,065.25	$21,099,446.25	$6,683,619.00

The Navy's War Bond program is under the direction of Capt. G. A. Eubank, Coordinator for War Bonds.

Ching Resigns WLB Post

Cyrus S. Ching has presented his resignation as an employer member of the National War Labor Board to President Roosevelt, and has returned to his position as director of industrial and public relations of the United States Rubber Co.

Mr. Ching had been in Washington on leave of absence from his company for 2½ years. He was appointed to the National Defense Mediation Board as an employer representative in March, 1941. When this Board was succeeded by the War Labor Board in January, 1942, Mr. Ching was made an associate member. In May, 1942, he was made an alternate employer member of the WLB, serving in this capacity up to the present time.

As for the grouping of the railroads into districts and regions, we find that practically all geographical subdivisions contributed to some extent to the 19.83 and 20.47 percentage increases in gross and net, respectively. Considering the showings of the various districts, we perceive that the Western District led both gross and net columns with gains of 32.08% and 42.39%, respectively. Upon analysis of the figures compiled for the small subdivisions, the regions, we note that the Central Western region amassed the greatest gain in both categories, viz: 37.02% in gross and 52.60% in net.

We now refer to our summary tabulation below. Our grouping of the roads conforms with the classification of the Interstate Commerce Commission. The territories covered by the various subdivisions, districts and regions, are explained in the footnote attached to the following table:

SUMMARY OF GROUPS—MONTH OF JUNE

District and Region	Gross Earnings 1943	1942	Inc. (+) or Dec. (—)	
	$	$	$	%
Eastern District—				
New England region (10 roads)	26,358,732	23,769,667	+ 2,589,065	+10.89
Great Lakes region (23 roads)	120,817,345	106,526,990	+ 14,290,355	+13.41
Central Eastern region (18 roads)	143,228,447	130,093,293	+ 13,135,154	+10.10
Total (51 roads)	290,404,524	260,389,950	+30.014,574	+11.53
Southern District—				
Southern region (26 roads)	106,169,123	87,452,861	+ 18,716,262	+21.40
Pocahontas region (4 roads)	29,198,141	32,366,694	— 3,168,553	— 9.79
Total (30 roads)	135,367,264	119,819,555	+ 15,547,709	+12.98
Western District—				
Northwestern region (15 roads)	82,227,742	66,557,448	+ 15,670,294	+23.54
Central Western region (16 roads)	171,319,241	125,028,183	+ 46,291,058	+37.02
Southwestern region (20 roads)	68,054,133	51,900,476	+ 16,153,657	+31.12
Total (51 roads)	321,601,116	243,486,107	+ 78,115,009	+32.03
Total all districts (132 roads)	747,372,904	623,695,612	+123,677,292	+19.83

District and Region	Mileage 1943	1942	Net Earnings 1943	1942	Incr. (+) or Dec. (—)	
			$	$	$	%
Eastern District—						
New England region	6,598	6,649	9,644,725	9,312,810	+ 331,915	+ 3,56
Great Lakes region	25,817	26,024	44,406,111	38,814,729	+ 5,591,382	+ 14.41
Central East. region	24,012	24,218	45,874,537	46,840,416	— 965,879	— 2.06
Total	56,427	56,891	99,925,373	94,967,955	+ 4,957,419	+ 5.22
Southern District—						
Southern region	37,411	37,761	45,706,086	37,112,931	+ 8,593,155	+ 23.15
Pocahontas region	6,019	6,060	11,033,370	15,691,388	— 4,658,018	— 29.69
Total	43,430	43,821	56,739,456	52,804,319	+ 3,935,137	+ 7.45
Western District—						
Northwestern region	45,387	45,610	33,844,377	25,297,371	+ 8,547,006	+ 33.79
Central West. region	55,289	56,055	76,139,857	49,896,090	+ 26,243,767	+ 52.60
Southwestern region	28,769	28,991	28,784,951	22,260,245	+ 6,524,706	+ 29.31
Total	129,445	130,656	138,769,185	97,453,706	+ 41,315,479	+ 42.39
Total all districts	229,302	231,368	295,434,014	245,225,980	+ 50,208,034	+ 20.47

Note—Our grouping of the roads conforms to the classification of the Interstate Commerce Commission, and the following indicates the confines of the different groups and regions:

EASTERN DISTRICT

New England Region—Comprises the New England States.

Great Lakes Region—Comprises the section on the Canadian boundary between New England and the westerly shore of Lake Michigan to Chicago, and north of a line from Chicago via Pittsburgh to New York.

Central Eastern Region—Comprises the section south of the Great Lakes Region east of a line from Chicago through Peoria to St. Louis and the Mississippi River to the mouth of the Ohio River, and north of the Ohio River to Parkersburg, W. Va., and a line thence to the southwestern corner of Maryland and by the Potomac River to its mouth.

SOUTHERN DISTRICT

Southern Region—Comprises the section east of the Mississippi River and south of the Ohio River to a point near Kenova, W. Va., and a line thence following the eastern boundary of Kentucky and the southern boundary of Virginia to the Atlantic.

Pocahontas Region—Comprises the section north of the southern boundary of Virginia, east of Kentucky and the Ohio River north to Parkersburg, W. Va., and south of a line from Parkersburg to the southwestern corner of Maryland and thence by the Potomac River to its mouth.

WESTERN DISTRICT

Northwestern Region—Comprises the section adjoining Canada lying west of the Great Lakes Region, north of a line from Chicago to Omaha and thence to Portland, and by the Columbia River to the Pacific.

Central Western Region—Comprises the section south of the Northwestern Region west of a line from Chicago to Peoria and thence to St. Louis, and north of a line from St. Louis to Kansas City and thence to El Paso and by the Mexican boundary to the Pacific.

Southwestern Region—Comprises the section lying between the Mississippi River south of St. Louis and a line from St. Louis to Kansas City and thence to El Paso, and by the Rio Grande to the Gulf of Mexico.

In reference to the Western grain movement for the month of June of the current year, we see that this was on a reduced scale with respect to certain principal grains—flour and corn—but considerably heavier as regards wheat, oats, barley and rye. Reviewing them individually; we note that wheat, amounting to 46,241,000 bushels, more than doubled last year's figure, while barley increased from 6,942,000 bushels to 9,641,000 bushels. Receipts of oats aggregated 8,373,000 bushels compared with 3,466,000 bushels recorded in 1942. Corn arrivals showed a marked decrease, one of 9,475,000 bushels, and flour decreased 166,000 barrels, below their 1942 figures.

In the table which follows we give a detailed statement of the grain arrivals at the Western lake and river ports in our usual form:

WESTERN FLOUR AND GRAIN RECEIPTS

4 Weeks Ended June 26

(000 Omitted)	Year	Flour (bbls.)	Wheat (bush.)	Corn (bush.)	Oats (bush.)	Rye (bush.)	Barley (bush.)
Chicago	1943	777	1,935	3,327	1,109	766	2,474
	1942	867	483	7,266	872	122	951
Minneapolis	1943	----	18,314	507	4,082	1,867	4,801
	1942	----	7.310	1,293	1,068	450	3,014
Duluth	1943	----	4,764	415	134	309	2,056
	1942	----	2,758	1,642	----	37	100
Milwaukee	1943	49	6	444	2	20	2,609
	1942	54	11	540	49	215	2,183
Toledo	1943	----	224	73	25	7	18
	1942	----	429	167	156	85	7
Indianapolis & Omaha	1943	----	3,010	2,294	1,025	39	18
	1942	----	1,169	2,868	632	36	----
St. Louis	1943	404	4,913	1,578	770	73	375
	1942	463	572	1,131	214	48	224
Peoria	1943	149	869	1,168	102	14	381
	1942	151	181	3,048	82	19	296
Kansas City	1943	53	8,742	1,353	718	----	----
	1942	63	3,747	2,288	300	----	----
St. Joseph	1943	----	408	253	198	----	----
	1942	----	348	283	84	----	----
Wichita	1943	----	2,754	----	----	----	----
	1942	----	1,366	2	----	----	----
Sioux City	1943	----	300	138	208	141	399
	1942	----	372	497	9	8	167
Detroit	1943	----	2	----	----	----	----
	1942	----	----	----	----	----	----
Total all	1943	1,432	46.241	11.550	8,373	3,236	13,131
	1942	1,598	18,746	21,025	3,466	1,020	6,942

Finally we present our compilation of the June comparisons of the gross and net earnings of the railroads of the country taken collectively from the current year back to and including 1909:

Month of June	Gross Earnings Year Given	Year Preceding	Inc. (+) or Dec. (—)	%	Mileage Year Given	Year Preced'g
1909	$210,356,964	$184,047,216	+$26,309,748	+14.29	197,648	194,689
1910	237,988,124	210,182,484	+ 27,805,640	+13.23	204,596	200,901
1911	231,980,259	238,499,885	— 6,519,626	— 2.73	222,825	218,379
1912	243,226,498	228,647,383	+ 14,579,115	+ 6.38	193,886	189,863
1913	259,703,994	242,830,546	+ 16,873,448	+ 6.95	212,989	210,288
1914	230,751,850	241,107,727	— 10,355,877	— 4.30	209,764	207,414
1915	248,849,716	247,535,879	+ 1,313,837	+ 0.53	240,219	235,828
1916	285,149,746	237,612,967	+ 47,536,779	+20.01	226,752	225,803
1917	351,001,045	301,304,803	+ 49,696,242	+16.49	242,111	241,550
1918	363,165,528	323,163,116	+ 40,003,412	+12.38	220,303	219,294
1919	424,035,872	393,265,898	+ 30,769,974	+ 7.82	232,169	232,682
1920	486,209,842	420,586,968	+ 65,622,874	+15.60	213,525	208,598
1921	460,582,512	494,164,607	— 33,582,095	— 6.80	235,208	235,059
1922	472,383,903	460,007,081	+ 12,376,822	+ 2.69	235,310	234,568
1923	540,054,165	473,150,664	+ 66,903,501	+14.14	236,739	236,683
1924	464,759,956	540,202,295	— 75,442,339	—13.97	236,001	235,691
1925	506,002,036	464,774,329	+ 41,227,707	+ 8.87	236,779	236,357
1926	538,758,797	506,124,762	+ 32,634,035	+ 6.45	236,510	236,243
1927	516,023,039	539,797,813	— 23,774,774	— 4.40	238,405	237,243
1928	501,576,771	516,448,211	— 14,871,440	— 2.88	240,302	239,066
1929	531,033,198	502,455,883	+ 28,577,315	+ 5.69	241,608	241,243
1930	444,171,625	531,690,472	— 87,518,847	—16.46	242,320	241,349
1931	369,212,042	444,274,591	— 75,062,549	—16.90	242,968	242,494
1932	245,860,615	369,133,884	—123,273,269	—33.40	242,179	242,527
1933	281,353,909	245,869,626	+ 35,484,283	+14.43	241,455	242,333
1934	282,406,507	277,923,922	+ 4,482,585	+ 1.61	239,107	240,932
1935	280,975,503	282,406,506	— 1,431,003	— 0.51	237,800	239,020
1936	330,212,333	280,967,649	+ 49,244,684	+17.53	236,814	238,019
1937	351,047,025	330,095,850	+ 20,951,175	+ 6.35	235,744	236,281
1938	281,607,108	350,994,558	— 69,387,450	—19.77	234,626	235,501
1939	320,991,913	281,547,886	+ 39,444,027	+14.01	233,404	234,527
1940	344,055,653	320,991,928	+ 23,063,725	+ 7.19	232,786	233,399
1941	454,532,076	344,195,836	+110,336,240	+32.06	232,136	232,830
1942	623,695,610	454,548,079	+169,147,531	+37.21	231,341	232,137
1943	747,372,904	623,695,612	+123,677,292	+19.83	229,302	231,368

Month of June	Net Earnings Year Given	Year Preceding	Increase (+) or Decrease (—)	%
1909	$74,196,190	$59,838,655	+$14,357,535	+ 23.99
1910	77,173,345	74,043,999	+ 3,129,346	+ 4.23
1911	72,794,069	77,237,252	— 4,443,183	— 5.75
1912	76,223,732	71,689,581	+ 4,534,151	+ 6.32
1913	76,093,045	76,232,017	— 138,972	— 0.18
1914	66,202,410	70,880,934	— 4,678,524	— 6.60
1915	81,649,636	69,481,653	+ 12,167,983	+ 17.51
1916	97,636,815	76,693,703	+ 20,943,112	+ 27.31
1917	113,816,026	103,341,815	+ 10,474,211	+ 10.14
1918	*36,156,952	106,181,619	—142,338,571	—134.05
1919	69,396,741	*40,136,575	+109,533,316	+272.90
1920	21,410,927	68,876,652	— 47,465,725	— 68.91
1921	80,521,999	15,131,337	+ 65,390,662	+432.15
1922	109,445,113	80,455,435	+ 28,989,678	+ 36.03
1923	124,046,578	109,618,682	+ 14,427,896	+ 13.16
1924	101,527,990	124,374,592	— 22,846,602	— 18.37
1925	130,837,324	101,487,318	+ 29,350,006	+ 28.92
1926	149,492,478	130,920,896	+ 18,571,582	+ 14.19
1927	127,749,692	148,646,848	— 20,897,156	— 14.06
1928	127,284,367	129,111,754	— 1,827,387	— 1.42
1929	150,174,332	127,514,775	+ 22,659,557	+ 17.77
1930	110,244,607	150,199,509	— 39,954,902	— 26.60
1931	89,676,807	110,264,027	— 20,587,220	— 18.67
1932	47,008,035	89,688,856	— 42,680,821	— 47.59
1933	94,448,669	47,018,729	+ 47,429,940	+100.87
1934	74,529,256	92,967,854	— 18,438,598	— 19.83
1935	64,920,431	74,529,254	— 9,608,823	— 12.89
1936	88,872,678	64,826,419	+ 24,046,259	+ 37.00
1937	86,067,895	88,850,296	— 2,782,401	— 3.13
1938	63,936,587	86,072,702	— 22,136,115	— 25.72
1939	79,770,820	63,937,412	+ 15,833,408	+ 24.76
1940	92,310,358	79,770,812	+ 12,539,545	+ 15.72
1941	155,967,655	.92,404,546	+ 63,553,109	+ 68.79
1942	245,225,980	155,957,835	+ 89,268,145	+ 57.24
1943	295,434,014	245,225,980	+ 50,208,034	+ 20.47

*Deficit.

Steel Production To Set New Record—Buying Wave Expected As Next Year's Needs Appear

"War production gains at a time like the present, when the manpower situation probably is the most unsatisfactory that industry ever has experienced, dwarf all past achievements of the nation's mines, mills and factories," the "Iron Age" states in its issue of today (Sept. 9), further adding: "The No. 1 industrial problem has been growing more critical steadily, with the rise in common labor turnover unabated despite various governmental rulings and red tape.

"Yet production of aircraft has jumped upward again and output of other armament appears stronger than ever after proper adjustment.

"Meanwhile, in the steel industry last week, the scurry by customers to place orders on mill books was intense in some areas and in regard to certain products. Even specifications for steel to be delivered one year from now were lodged with producers. Reminiscent of the pre-CMP era, the rush by consumers seemed partly caused by numerous instances recently where buyers were unable to place late allotments with booked-up mills. (Coincidentally, WPB last week warned that contractors placing orders for more material than authorized will be dealt with sternly.)

"Another contributing reason is believed to be the very tight production situation facing plate mills, confronted with increased fourth-quarter orders from shipbuilders. Heightened activity of this kind in plates is bound to be reflected in other departments. Railroad carbuilders have been ordering plates freely but some mills despair of being able to ship as desired unless cancellations from shipbuilders provide the necessary openings on mill schedules, which has been the principal method of serving carbuilders recently. Plates are now under closer control by the WPB. All plate-mill schedules for the fourth quarter have been frozen for the first time. Any cancellations or holes in these schedules must be plugged up by the WPB alone. In a few months after new mills hit their strides, the tightness surrounding plates may disappear rapidly, like the about-face now admitted by WPB in the market for electric furnace alloy steel.

"With open-hearth capacity growing faster than the completion of finishing facilities, the interchange of about 30,000 tons per month of steel ingots will be necessary between steel companies. Before the war there was no ready market for ingots and the price of $31 per gross ton f.o.b. mills was not set in anticipation of heavy sales. In order to help smooth matters for steel executives who have been worried over costs of the interchange, the WPB Steel Division has announced that the aid of the Metals Reserve Corp. will be sought. This has not entirely reassured the industry, however, for it is pointed out that there is yet no indication as to just how far MRC will go with its assistance."

The American Iron and Steel Institute on Sept. 7 announced that telegraphic reports which it had received indicated that the operating rate of steel companies having 94% of the steel capacity of the industry will be 100.3% of capacity for the week beginning Sept. 7 (a new all-time peak), compared with 99.4% one week ago, 97.8% one month ago and 96.4% one year ago. The current rate represents an increase of 0.9 point or 0.9% from the preceding week. The operating rate is equivalent to 1,748,200 tons of steel ingots and castings, compared with 1,732,500 tons one week ago, 1,704,000 tons one month ago and 1,649,100 tons one year ago.

"Steel" of Cleveland, in its summary of the iron and steel markets, on Sept. 6 stated in part as follows:

"Increased buying of steel in September is expected as allotment numbers for first and second quarter delivery become more freely available. Sheet and plate producers, in particular, report increasing tonnages for second quarter delivery and are concerned over bookings so far deferred as they are likely to be subject to considerable revision as the war situation changes from month to month.

"Volume of buying in August was less than in July, attributed to heavy plate tonnage placed in July when the month-to-month buying under PRP was succeeded by extended covering under CMP. This was so heavy that by the end of July most producers were sold to the end of the year, with some accumulation into next year. This rush to cover declined during August.

"Carbon bar producers in general are booked solidly through January in most instances and orders for second quarter are appearing in substantial volume. Hot-rolled alloy bars are in easier position and it is possible to obtain November delivery. Cold-drawn bar producers are pressed for deliveries, particularly on hexagons, aircraft manufacturers requiring so much of these sections that the ordinary ratio to rounds and flats is completely upset. Some producers are booked through first quarter, while on ordinary sizes of rounds January delivery can be obtained.

"While revision of bar schedules has improved delivery on some most needed items the general situation has not improved. Some forging shops have canceled orders and placed others for later delivery, inventory situation making this possible.

"Sheet buying in August was lighter than in July in the experience of most makers, but demand has increased recently.

"Although platemakers are booked far ahead, many through February, the heavy tractor program which is scheduled to get under way about the end of the year is expected to bring out further plate tonnage.

"Additional equipment for railroads under the more liberal policy of the War Production Board continues to bring out inquiries for additional freight cars. Placing of car orders approved by WPB in August probably is the largest since January and indicates the need which has been growing more pressing during the months when buying was tabooed."

Roosevelt Honored

An honorary degree of Doctor of Laws was conferred on President Roosevelt on Aug. 25 by the University of London. The ceremony took place at Ottawa with the Earl of Athlone, Governor General of Canada, acting as Chancellor of the University, in conferring the degree. In the oration the President was praised for his physical and moral courage and acclaimed as "the champion of liberty in all the earth."

Labor Bureau's Wholesale Commodity Index Advanced 0.1% During Week Ended Aug. 28

The U. S. Department of Labor announced on Sept. 2 that led by advancing prices for grains and livestock, the Bureau of Labor Statistics' index of commodity prices in primary markets rose slightly by 0.1%, during the week ended Aug. 28. At 102.9% of the 1926 average the all-commodity index is somewhat higher than at the end of July and 4% above the level for the corresponding week of last year.

The Department's announcement gave further details as follows:

"Farm Products and Foods—Average prices for farm products in primary markets rose 0.2% during the week. Substantial increases occurred in most grain markets, ranging from more than 1% for wheat to over 9% for rye. Quotations for hogs were up from 2 to 4% and prices of cows also advanced. Prices were generally lower for cotton, lemons and potatoes.

"Lower markets for fresh fruits and vegetables brought average prices for foods down 0.3%. Higher prices were reported for eggs and for flour. In the past four weeks food prices have declined 0.8% and are now less than 5% higher than late in August of last year.

"Industrial commodities: There were relatively few changes in industrial commodity markets during the week. Quotations were higher for gasoline in the mid-continent area. Some types of gum and oak lumber declined fractionally and prices were also lower for turpentine."

The following notation is made:

During the period of rapid changes caused by price control, materials allocation, and rationing the Bureau of Labor Statistics will attempt promptly to report changing prices. Indexes marked (*), however, must be considered as preliminary and subject to such adjustment and revision as required by later and more complete reports.

The following table shows index numbers for the principal groups of commodities for the past 3 weeks, for July 31, 1943 and for Aug. 29, 1942, and the percentage changes from a week ago, a month ago, and a year ago:

(1926=100)

						Percentage changes to Aug. 28, 1943 from—		
Commodity groups—	8-28 1943	8-31 1943	8-14 1943	7-31 1943	8-29 1942	8-21 1943	7-31 1943	8-29 1942
All commodities	*102.9	*102.8	*102.7	*102.8	98.9	+0.1	+0.1	+4.0
Farm products	*124.0	*123.8	*122.9	*124.3	106.0	+0.2	—0.2	+17.0
Foods	105.5	105.8	105.1	106.4	100.7	—0.3	—0.8	+4.8
Hides and leather products	118.4	118.4	118.4	118.4	118.9	0	0	—0.4
Textile products	97.0	96.9	96.9	96.9	96.6	+0.1	+0.1	+0.4
Fuel and lighting materials	81.8	81.7	81.7	81.6	79.6	+0.1	+0.2	+2.8
Metals and metal products	*103.8	*103.8	*103.8	*103.8	103.9	0	0	—0.1
Building materials	112.1	112.1	112.1	110.8	110.3	0	+1.2	+1.6
Chemicals and allied products	100.2	100.2	100.2	100.1	96.2	0	+0.1	+4.2
Housefurnishing goods	104.2	104.2	104.2	104.2	104.1	0	0	+0.1
Miscellaneous commodities	92.4	92.4	92.4	92.1	88.6	0	+0.3	+4.3
Raw materials	*112.8	*112.7	*112.3	*113.0	100.8	+0.1	—0.2	+11.9
Semimanufactured articles	92.8	92.8	92.8	92.7	92.6	0	+0.1	+0.2
Manufactured products	*100.0	*100.0	*100.0	*99.8	99.2	0	+0.2	+0.8
All commodities other than farm products	*98.4	*98.4	*98.4	*98.2	97.4	0	+0.2	+1.0
All commodities other than farm products and foods	*97.3	*97.3	*97.3	*97.1	95.7	0	+0.2	+1.7

*Preliminary.

Civil Engineering Construction $61,674,000 For Week—Volume 52% Above Week Ago

Civil engineering construction in continental U. S. for the week totals $61,674,000. This volume, not including the construction by military combat engineers, American contracts outside the country, and shipbuilding, is 52% higher than in the preceding week, but is 76% below the total for the corresponding 1942 week as reported by "Engineering News-Record" on Sept. 2, which added:

Public construction is 86% above last week as a result of the 32% gain in state and municipal work, and the 92% climb in Federal volume. Private work, though, is 39% lower than a week ago. Comparisons with the corresponding 1942 week show an 8% gain in private, but public construction is 78% lower.

The current week's volume brings 1943 construction to $2,285,762,000, an average of $65,307,000 for each of the 35 weeks of the period. On the weekly average basis, 1943 volume is 67% below the $7,181,568,000 reported for the 36-week 1942 period. Private construction, $290,036,000, is 33% lower than last year, and public construction, $1,995,726,000, is down 70% when adjusted for the difference in the number of weeks.

Civil engineering construction volumes for the 1942 week, last week, and the current week are:

	Sept. 3, '42	Aug. 26, '43	Sept. 2, '43
Total U. S. Construction	$261,671,000	$40,638,000	$61,674,000
Private Construction	6,269,000	11,065,000	6,754,000
Public Construction	255,402,000	29,573,000	54,920,000
State and Municipal	8,821,000	2,870,000	3,776,000
Federal	246,581,000	26,703,000	51,144,000

In the classified construction groups, gains over last week are in sewerage, bridges, public buildings, streets and roads, and unclassified construction. Industrial building is the only class of work to gain over a year ago. Subtotals for the week in each class of construction are: waterworks, $394,000; sewerage, $389,000; bridges, $233,000; industrial buildings, $2,342,000; commercial building and large-scale private housing, $2,947,000; public buildings, $37,758,000; earthwork and drainage, $500,000; streets and roads, $3,790,000; and unclassified construction, $13,321,000.

New capital for construction purposes for the week totals $2,252,000, 57% below the total for the 1942 week. The current week's new financing is made up of $2,000,000 in corporate security issues, and $252,000 in state and municipal bond sales.

New construction financing for the 35-week 1943 period, $2,928,978,000, is 68% lower than the $9,524,024 for the 36-week period a year ago.

Non-Ferrous Metals – Zinc Allocations Result In Good Sales Volume – Lead Buying Expands

Editor's Note.—At the direction of the Office of Censorship certain production and shipment figures and other data have been omitted for the duration of the war.

"E. & M. J. Metal and Mineral Markets," in its issue of Sept. 2 stated: "Sales activity in major nonferrous metals during the last week centered in zinc, following receipt by consumers of their September allocation certificates. Call for October lead improved, and this is expected to increase steadily until the middle of the current month. September needs of lead consumers are more than 80% covered. There were no new developments in copper. The War Manpower Commission on Aug. 30 announced that 2,750 men have been released so far by the Army to relieve the shortage of miners at copper, zinc, and molybdenum properties. A move to include a larger percentage of low-grade Bolivian tin concentrates in sales to Metals Reserve has failed. The publication further went on to say in part:

Copper

Additional mine labor is being made available, and producers believe that domestic production will increase over the remainder of the year. The market situation was unchanged last week. Essential needs for the metal are being supplied promptly. Shipping conditions have improved in recent months, and imports of copper, in some instances have come through ahead of schedule.

Lead

Consumers of lead have been asked to submit requests for foreign lead for October shipment on or before Sept. 16, or several days later than last month. Producers and members of WPB expect to consider October allocations of such lead on Sept. 20.

Sales of lead in the domestic market for the last week were a little more than 200% in excess of that in the preceding week.

Zinc

Allocation certificates for September zinc came through during the last week, which resulted in the usual good volume of business. From present indications, WPB has been more liberal than in recent months in releasing High Grade. The situation in the ordinary grades remains about unchanged. Producers have offered some fairly large tonnages of High Grade to Metals Reserve. The trade is more hopeful that renegotiation on so essential a raw material as zinc will not be required on sales to the Government.

A special panel has been set up in the Tri-State district to which operators may present applications for wage adjustments. This action followed authorization last week by the National War Labor Board to permit mine owners in that area to increase wages up to 50c a day. Recently, higher wages were granted to mine workers of five unionized companies.

Tungsten

The War Production Board has revoked Conservation Order M-29-b relating to tungsten. Tungsten has been under allocation for a long time, with the result that stocks acquired without allocation are virtually non-existent. In place of the conservation order, tungsten will be controlled exclusively by General Preference Order M-29, it was announced last week.

Tin

Press advices from Bolivia state that President Penaranda's cabinet resigned Aug. 27 because of criticism over the suppression of the strike of miners at Catavi last December.

Efforts to include a larger proportion of low-grade tin concentrate under Metal Reserve's agreement with Bolivian producers have failed, according to the Banco Minero.

Production of tin-plate in the United States during the first seven months of 1943 amounted to 1,294,427 tons, according to the American Iron and Steel Institute. This compares with 1,982,090 tons in the first half of 1942.

Tin quotations were unchanged last week. Straits quality tin for shipment, cents a pound, was as follows:

	Sept.	Oct.	Nov.
Aug. 26	52.000	52.000	52.000
Aug. 27	52.000	52.000	52.000
Aug. 28	52.000	52.000	52.000
Aug. 30	52.000	52.000	52.000
Aug. 31	52.000	52.000	52.000
Sept. 1	52.000	52.000	52.000

Chinese, or 99% tin, continues at 51.125c. a pound.

Quicksilver

Reports from producing centers in this country indicate that sufficient metal is being recovered to keep the market well supplied. Some producers are experiencing labor shortages, but this condition has obtained for some time. The price has not changed, holding at $196@$198 per flask, New York. London continues to quote quicksilver ex warehouse at £68 10s. per flask. As an indicator of the world price of quicksilver, the London quotation under prevailing conditions carries no weight whatever.

Silver

OPA last week called attention to the regulations governing the sale of silver scrap under Amendment No. 14 to Revised Supplementary Regulation No. 14 of GMPR. Under this amendment only scrap produced by suppliers engaged in semi-fabricating operations may be sold as domestic or Treasury silver casting metal. Moreover, semi-fabricators may sell such metal only to manufacturers and the silver sold must be deducted from inventory of newly mined domestic silver. Manufacturers of finished silver may not sell their scrap as silver casting metal. OPA points out that the amendment has only a limited application and it does not make for a general increase in the price of scrap.

The London market for silver was unchanged during the last week at 23½d. an ounce. The New York Official for foreign silver held at 44¾c., and the Treasury's price continued at 35c.

Daily Prices

The daily prices of electrolytic copper (domestic and export, refinery), lead, zinc and Straits tin were unchanged from those appearing in the "Commercial and Financial Chronicle" of July 31, 1942, page 380.

On Mexican Commission

President Roosevelt on Aug. 31 named three United States members to the Mexican Industrial Commission, set up to develop long term programs for the industrialization of Mexico. Associated Press advices from Washington report that the three are Wayne C. Taylor, Under Secretary of Commerce; Nelson A. Rockefeller, Co-ordinator of Inter-American Affairs and Chairman of the Inter-American Development Commission, and Thomas H. Lockett, Counselor of Embassy for Economic Affairs in Mexico City.

Mexican members are Primo Villa Michel, Co-ordinator of Coordination in Development of Production; Evarista Araiza, Chairman of the Board of Directors of the Bank of Mexico, and General Manager of the Monterey Steel Works, and Salvador Ugarte, banker.

Bricker Advocates 6-Year President Term

Governor John W. Bricker, of Ohio, urged on Sept. 4 that the Republican party submit a Constitutional amendment limiting the tenure of the President to one term of six years.

In a formal statement issued in Columbus, as he left for Mackinac Island, Mich., to attend the Republican post-war advisory council meeting, the Governor, asserting that among the principles of American government is "freedom from a self-perpetuating bureaucracy," also said the party "should take the position in the coming campaign both in its platform and through its candidate for a single term of four years for the next President of the United States."

In Associated Press Columbus advices, his further remarks were reported as follows:

There has grown up in recent years, Governor Bricker said, "a bureaucracy which attempts to superimpose the power of government over the individual in his daily life and the conduct of his business.

"When political power or the perpetuation in office of a President becomes the motivating factor in government, our liberties are imperiled. As a proposal to restore this government of ours to the control of the people, the Republican party should take the position in the coming campaign both in its platform and through its candidate for a single term of four years for the next President of the United States and pledge itself to submit under the Constitution an amendment to the people of our country to limit the tenure of the President of the United States thereafter to one term of six years."

He added that the principles of a single term, if adopted, would "restore and safeguard the control of the government of this country to the people and would curb the everlasting expansion of bureaucratic power, would cut the cost of government and would assure the people of the United States and the world that this is truly a self-governing nation."

The statement touched only tersely on foreign policy. Referring to next week's conference, Governor Bricker said the subjects to be discussed "offer our party a great opportunity for constructive service to the nation.

"Principles in the field of foreign policy should not be buried under cloudy generalities," he said. "They are simply stated in the proposition that America is not alone in the world and that it is vitally concerned in a lasting peace preserved through international cooperation."

Nat'l Food Conference In Chicago Sept. 16

The national food conference called by Frank Gannett, newspaper publisher, is scheduled to start Sept. 16 at the Hotel Sherman in Chicago. More than 30 prominent speakers are expected to discuss every phase of the food situation in the four days the conference will be in session. "Since formulation of our plans for the conference a great and country-wide interest has been evidenced," said Mr. Gannett, who will preside. "There will be representation from every group and section of the nation," Mr. Gannett added.

"It is the belief and hope of the conference sponsors that out of this meeting will grow tangible recommendations and findings that later can be embodied in legislation to clear the present atmosphere of confusion and chaos. The conference will endeavor to review the current food production situation with respect to the strengths, weaknesses and conditions under war time restrictions."

Moody's Bond Prices And Bond Yield Averages

Moody's computed bond prices and bond yield averages are given in the following table:

MOODY'S BOND PRICES†
(Based on Average Yields)

1943— Daily Averages	U. S. Govt. Bonds	Avge. Corporate*	Corporate by Ratings* Aaa	Aa	A	Baa	Corporate by Groups* R. R	P U	Indus
Sept. 7	120.33	111.07	119.20	116.61	111.44	98.88	103.13	113.89	117.00
6	Exchange Closed								
4	120.30	111.07	119.20	116.61	111.44	98.88	103.13	113.89	117.00
3	120.30	111.25	119.20	116.80	111.62	98.73	103.30	113.89	117.00
2	120.29	111.25	119.20	116.80	111.62	98.73	103.30	113.89	117.00
1	120.29	111.25	119.20	116.80	111.62	98.73	103.13	113.89	117.00
Aug. 27	120.34	111.25	119.20	116.80	111.44	98.88	103.13	112.89	117.20
20	120.20	111.25	119.20	116.80	111.44	99.04	103.30	113.89	117.00
13	120.29	111.25	119.20	116.80	111.62	99.04	103.30	113.89	117.20
6	120.19	111.25	119.20	117.00	111.62	99.04	103.13	114.08	117.20
July 30	120.18	111.44	119.41	117.00	111.62	99.04	103.30	114.08	117.20
23	120.51	111.25	119.20	116.80	111.44	99.20	103.30	114.08	117.00
16	120.46	111.25	119.20	116.80	111.44	99.20	103.13	114.08	117.20
9	120.73	111.07	119.20	116.61	111.25	98.88	102.80	114.08	117.00
2	120.75	110.70	118.80	116.22	111.25	98.25	102.46	113.70	116.61
Jun 25	120.41	110.70	118.80	116.22	111.07	98.09	102.46	113.70	116.61
18	120.15	110.52	118.60	116.02	111.07	97.94	102.30	113.50	116.41
11	119.99	110.52	118.60	116.02	111.07	97.94	102.30	113.50	116.41
4	119.92	110.34	118.40	115.82	111.07	97.78	102.30	113.50	116.02
May 28	119.82	110.34	118.20	115.82	110.88	97.78	102.30	131.31	115.82
Apr. 30	118.36	109.79	118.00	115.43	110.34	97.00	101.31	113.12	115.63
Mar. 26	116.93	109.60	117.80	115.43	110.52	96.23	100.65	113.12	115.63
Feb 26	117.11	109.24	117.60	115.43	110.15	95.47	100.00	112.93	115.43
Jan. 29	117.04	108.70	117.60	115.04	109.79	94.56	99.04	112.56	115.43
High 1943	120.87	111.44	119.41	117.00	111.81	99.36	103.47	114.27	117.40
Low 1943	116.85	107.44	116.80	113.89	108.88	92.35	97.16	111.81	114.46
High 1942	118.41	107.62	117.20	114.27	108.88	92.64	97.47	112.19	114.66
Low 1942	115.90	106.04	115.43	112.75	107.09	90.63	95.32	109.60	112.75
1 Year ago Sept. 5, 1942	117.80	107.09	117.00	113.31	108.34	92.06	96.54	111.62	114.08
2 Years ago Sept. 6, 1941	119.18	107.80	118.20	114.85	108.70	92.06	97.16	112.00	115.24

MOODY'S BOND YIELD AVERAGES†
(Based on Individual Closing Prices)

1943— Daily Averages	U. S. Govt. Bonds	Avge. Corporate	Corporate by Ratings Aaa	Aa	A	Baa	Corporate by Groups R. R.	P. U.	Indus
Sept. 7	1.83	3.11	2.69	2.82	3.09	3.82	3.56	2.96	2.80
6	Exchange Closed								
4	1.83	3.11	2.69	2.82	3.09	3.82	3.56	2.96	2.80
3	1.83	3.10	2.69	2.81	3.08	3.83	3.55	2.96	2.80
2	1.83	3.10	2.69	2.81	3.08	3.82	3.55	2.96	2.80
1	1.83	3.10	2.69	2.81	3.08	3.83	3.56	2.96	2.80
Aug. 27	1.83	3.10	2.69	2.81	3.09	3.82	3.56	2.96	2.79
20	1.84	3.10	2.69	2.81	3.09	3.81	3.55	2.96	2.80
13	1.83	3.10	2.69	2.81	3.08	3.81	3.55	2.96	2.79
6	1.84	3.10	2.69	2.80	3.08	3.81	3.56	2.95	2.79
July 30	1.84	3.09	2.68	2.80	3.08	3.81	3.55	2.95	2.79
23	1.81	3.10	2.69	2.81	3.09	3.80	3.55	2.95	2.80
16	1.82	3.10	2.69	2.81	3.09	3.80	3.56	2.95	2.79
9	1.80	3.11	2.69	2.82	3.10	3.82	3.58	2.95	2.80
2	1.80	3.13	2.71	2.84	3.10	3.86	3.60	2.97	2.82
Jun 25	1.82	3.13	2.71	2.84	3.11	3.87	3.60	2.97	2.82
18	1.84	3.14	2.72	2.85	3.11	3.88	3.61	2.98	2.83
11	1.87	3.14	2.72	2.85	3.11	3.88	3.61	2.98	2.83
4	1.87	3.15	2.73	2.86	3.11	3.89	3.61	2.98	2.85
May 28	1.88	3.15	2.74	2.86	3.12	3.89	3.61	2.99	2.86
Apr. 30	1.98	3.18	2.75	2.88	3.15	3.94	3.67	3.00	2.87
Mar. 26	2.08	3.19	2.76	2.88	3.14	3.99	3.71	3.00	2.87
Feb 26	2.06	3.21	2.77	2.88	3.16	4.04	3.75	3.01	2.88
Jan. 29	2.06	3.24	2.77	2.90	3.18	4.10	3.81	3.03	2.88
High 1943	2.08	3.31	2.81	2.96	3.23	4.25	3.93	3.07	2.93
Low 1943	1.79	3.09	2.68	2.80	3.07	3.79	3.54	2.94	2.78
High 1942	2.14	3.39	2.88	3.02	3.33	4.37	4.05	3.19	3.02
Low 1942	1.93	3.30	2.79	2.94	3.23	4.23	3.91	3.05	2.92
1 Year ago Sept. 5, 1942	2.03	3.33	2.80	2.99	3.26	4.27	3.97	3.08	2.95
2 Years ago Sept. 6, 1941	1.92	3.29	2.74	2.91	3.24	4.27	3.93	3.06	2.89

*These prices are computed from average yields on the basis of one "typical" bond (3¾% coupon, maturing in 25 years) and do not purport to show either the average level or the average movement of actual price quotations. They merely serve to illustrate in a more comprehensive way the relative levels and the relative movement of yield averages the latter being the true picture of the bond market.

†The latest complete list of bonds used in computing these indexes was published in the issue of Jan. 14, 1943, page 202.

Aug. Civil Engineering Construction $161,548
Private Volume 8% Above Month Ago

Civil engineering construction in continental United States for August totals $161,548,000, and averages $40,387,000 for each of the four weeks of the period. This volume, not including the construction by military combat engineers, American contracts outside the country, and shipbuilding, is 32% lower than the weekly average for the five weeks of July, 1943, and is 80% below the four-week average for August, 1942, as reported by "Engineering News-Record" on Sept. 2, and which went on to say:

Private construction, on the weekly average basis, is 8% higher than in the preceding month, but declines 15% from the corresponding 1942 period. Public work is down 37% from a month ago, and is 83% lower than a year ago. Federal work is 39 and 84% lower, respectively, than last month and last year; and state and municipal construction is down 17% compared with July, and 51% below August, 1942.

Civil engineering construction volumes for the 1942 month, last month, and the current month are:

	Aug. '42 (4 weeks)	July, '43 (5 weeks)	Aug. '43 (4 weeks)
Total U. S. Construction	$813,077,000	$296,288,000	$161,548,000
Private Construction	33,069,000	32,704,000	28,094,000
Public Construction	780,008,000	263,584,000	133,454,000
State and Municipal	31,618,000	23,200,000	15,351,000
Federal Construction	748,390,000	240,384,000	118,103,000

The August volume brings 1943 construction to $2,224,088,000, an average of $65,414,000 for each of the 34 weeks of the eight-month period. On the weekly average basis, 1943 volume is 67% below the $6,919,897,000 reported for the 35-week period in 1942. Private construction, $283,282,000 is 33% lower than a year ago, and public construction, $1,940,806,000, is down 69% when adjusted for the difference in the number of weeks reported. State and municipal work, $138,912,000, and Federal construction, $1,801,894,000, are 65 and 69% lower than their respective totals for the 1942 period.

New Capital

New capital for construction purposes for August totals $5,538,000, a figure that compares with $18,494,000 for the corresponding month last year. Most of the current month's new financing, $5,451,000, is in state and municipal bond sales, and the balance, $87,000, is in corporate security issues.

The August construction financing brings the 34-week 1943 total to $2,926,726,000, a volume 68% below the $9,518,744,000 reported for the 35-week, eight-month period in 1942.

Weekly Coal And Coke Production Statistics

The Solid Fuel Administration for War, U. S. Department of the Interior, in its latest report, states that production of soft coal continues to show little change, the total output in the week ended Aug. 28, 1943, being estimated at 12,130,000 net tons, as against 12,010,000 tons in the week preceding. Production in the final week of August, last, was estimated at 11,505,000 tons. For the present year to Aug. 28, soft coal output was 1.6% in excess of that for the same period in 1942.

The U. S. Bureau of Mines estimated that the total production of Pennsylvania anthracite for the week ended Aug. 28, 1943, was 1,296,000 tons, an increase of 43,000 tons, or 3.4%, over the preceding week. When compared with the output in the corresponding week of 1942, there was an increase of 52,000 tons, or 4.2%. The calendar year 1943 to date shows a decrease of 0.1% when compared with the corresponding period of 1942.

The Bureau of Mines also reported that the estimated production of byproduct coke in the United States for the week ended Aug. 28, 1943, showed an increase of 4,100 tons when compared with the output for the week ended Aug. 21, 1943. The quantity of coke from beehive ovens decreased 4,100 tons during the same period.

ESTIMATED UNITED STATES PRODUCTION OF COAL
WITH COMPARABLE DATA ON PRODUCTION OF CRUDE PETROLEUM
(In Net Tons—000 Omitted.)

	Week Ended Aug. 28, 1943	†Aug. 21, 1943	Aug. 29, 1942	January 1 to Date ‡Aug. 28, 1943	Aug. 29, 1942	Aug. 28, 1937
Bituminous coal and lignite—						
Total, incl. mine fuel	12,130	12,010	11,505	385,352	379,374	287,679
Daily average	2,022	2,002	1,918	1,889	1,873	1,421
*Crude petroleum—						
Coal equivalent of weekly output	6,722	6,757	6,350	218,503	208,486	189,938

*Total barrels produced during the week converted into equivalent coal assuming 6,000,000 B.t.u. per barrel of oil and 13,100 B.t.u. per pound of coal. Note that most of the supply of petroleum products is not directly competitive with coal. (Minerals Yearbook, Review of 1940, page 775.) †Revised. ‡ Subject to current adjustment.

ESTIMATED PRODUCTION OF PENNSYLVANIA ANTHRACITE AND COKE
(In Net Tons)

	Week Ended §Aug. 28, 1943	¶Aug. 21, 1943	Aug. 29, 1942	Cal. Year to Date Aug. 28, 1943	Aug. 29, 1942	Aug. 31, 1929
Penn. anthracite—						
*Total incl. coll. fuel	1,296,000	1,253,000	1,244,000	40,017,000	40,038,000	46,058,000
†Commercial production	1,244,000	1,203,000	1,194,000	38,416,000	38,436,000	42,742,000
By-product coke—						
United States total	1,242,400	1,238,300	1,220,100	41,611,300	40,796,000	‡
Beehive coke—						
United States total	163,700	167,800	158,800	5,149,000	5,447,800	4,608,600

*Includes washery and dredge coal, and coal shipped by truck from authorized operations. †Excludes washery fuel. ‡Comparable data not available. §Subject to revision. ¶Revised.

ESTIMATED WEEKLY PRODUCTION OF COAL, BY STATES
(In Thousands of Net Tons)

(The current weekly estimates are based on railroad carloadings and river shipments and are subject to revision on receipt of monthly tonnage reports from district and State sources or of final annual returns from the operators.)

State—	Week Ended Aug. 21, 1943	Aug. 14, 1943	Aug. 22, 1942	Aug. 23, 1941	Aug. 21, 1937	Aug. average ¶1923
Alabama	385	406	356	333	249	397
Alaska	5	5	5	5	3	**
Arkansas and Oklahoma	87	88	89	93	60	81
Colorado	141	142	143	112	85	173
Georgia and North Carolina	1	1	1	††	††	**
Illinois	1,509	1,456	1,154	1,183	700	1,363
Indiana	531	503	468	465	272	440
Iowa	43	40	46	43	52	100
Kansas and Missouri	154	144	178	143	113	145
Kentucky—Eastern	941	961	942	911	681	765
Kentucky—Western	313	317	229	196	123	217
Maryland	38	34	36	35	28	44
Michigan	6	5	7	8	7	21
Montana (bituminous and lignite)	98	101	76	60	44	50
New Mexico	35	38	35	22	27	49
North and South Dakota (lignite)	31	36	25	21	17	**20
Ohio	681	650	703	649	436	871
Pennsylvania (bituminous)	2,940	2,928	2,663	2,839	2,000	3,734
Tennessee	129	129	153	151	91	118
Texas (bituminous and lignite)	3	2	9	7	21	24
Utah	109	115	124	95	56	83
Virginia	403	435	366	409	257	248
Washington	26	29	33	34	30	47
*West Virginia—Southern	2,221	2,300	2,143	2,251	1,732	1,515
†West Virginia—Northern	1,018	1,004	919	856	544	875
Wyoming	161	160	158	141	87	154
‡Other Western States	1	1	1	††	††	**4
Total bituminous and lignite	12,101	12,030	11,062	11,062	7,715	11,538
§Pennsylvania anthracite	1,253	1,327	1,186	1,305	557	1,926
Total all coal	13,263	13,357	12,248	12,367	8,272	13,464

*Includes operations on the N. & W.; C. & O.; Virginian; K. & M.; B. C. & G.; and on the B. & O. in Kanawha, Mason, and Clay counties. †Rest of State, including the Panhandle District and Grant, Mineral, and Tucker counties. ‡Includes Arizona, California, Idaho, Nevada and Oregon. §Data for Pennsylvania anthracite from published records of the Bureau of Mines. ¶Average weekly rate for entire month. **Alaska, Georgia, North Carolina, and South Dakota included with "Other Western States." ††Less than 1,000 tons.

July Hotel Sales Higher

In its September bulletin, Horwath & Horwath, New York public accountants, report that total sales increased 35% this July over last, which is 3 points more than the gain in June. The improvement was in the restaurant, which department was up 44% over a year ago, while room sales advanced at exactly the same rate as in the preceding month, 27%. The total average occupancy was 79%, which is up 11 points over last July but down 5 points from June. The total rise in room rate was 6%.

The firm supplies the following statistical data:

JULY, 1943, COMPARED WITH JULY, 1942

	Sales, Increase or Decrease					Occupancy		Room Rate
	Total	Rooms	Restaurant Total	Food	Beverages	1943 July	1942 July	or Decr. Increase
New York City	+36%	+36%	+37%	+38%	+38%	81%	66%	+10%
Chicago	+29	+24	+35	+33	+40	85	75	+ 9
Philadelphia	+71	+57	+96	+86	+97	77	56	+14
Washington	+16	+ 6	+22	+18	+31	74	69	0
Cleveland	+28	+23	+32	+29	+37	86	76	+ 9
Detroit	+30	+22	+44	+48	+37	88	81	+12
Pacific Coast	+32	+29	+35	+28	+44	85	75	+14
Texas	+35	+25	+53	+51	+83	82	71	+ 8
All Others	+36	+25	+47	+47	+46	77	66	+ 7
Total	+35%	+27%	+44%	+42%	+46%	79%	68%	+ 6%
Year to Date	+31%	+26%	+36%	+34%	+40%	82%	70%	+ 7%

Soviet Magazine Criticizes AMG Organization

AMG—the Allied military government for occupied territories, formerly called AMGOT—was sharply criticized on Sept. 2 in the Soviet magazine, "War and The Working Class," according to an Associated Press Moscow dispatch, appearing in the New York "World Telegram," in which it was further stated:

The magazine said "the administration itself is of a military government based on principles which have nothing in common with the principles of democracy." The magazine added: "The Soviet Government does not participate in this organization."

Following its usual style of quoting foreign press reports, the magazine emphasized the dissolution of the Fascist party in Sicily and the dismissal of Fascist leaders from civilian posts, but said that the "disrespectful name of 'Gauleter Schools'" had been given to places where officers are prepared for posts under AMG.

"War and The Working Class" remarked that it was no wonder "sharp criticism in press and political circles in England and America" had resulted, after quoting dispatches as stating that there is absence of freedom of speech in Sicily and that high standing former Fascists are on the Allied pay list.

The article then noted what it termed "the curious fact that even those circles of the United Nations which do not voice doubts about the activity of AMGOT in enemy countries decisively protest against its future possible appearance in their own territories."

Farm Crop Controls May End Next Year

Marvin Jones, War Food Administrator, declared on Aug. 27 that government crop controls will probably be ended next year in order to stimulate food production; he advocated, however, a support-price program and subsidy payments. He said he plans to consult the Congress, the farmers, and farm groups.

In a radio address, Mr. Jones said:

"In my judgment, the best way to get production is to have a definite support price that will last throughout the season. It should be high enough to cover the added risks and hazards that go with increased production. And it should be announced early.

"That means that the government should stand ready to buy any surplus of a commodity that might not flow into the regular channels at that price. In some cases it might be necessary for the government to absorb a loss."

Mr. Jones indicated that the program planned for 1944 would not differ materially from the support price activities of this year. He pointed out that food production has broken all previous records in each of the last five years and predicted that this year it will reach a new high.

Moody's Daily Commodity Index

Tuesday, Aug. 31	246.5
Wednesday, Sept. 1	246.9
Thursday, Sept. 2	247.2
Friday, Sept. 3	246.8
Saturday, Sept. 4	246.8
Monday, Sept. 6	*
Tuesday, Sept. 7	247.4
Two weeks ago, Aug. 24	245.4
Month ago, Aug. 7	245.1
Year ago, Sept. 5	231.8
1942 High, Dec. 22	239.9
Low, Jan. 2	220.0
1943 High, April 1	249.8
Low, Jan. 2	240.2

*Holiday.

Daily Average Crude Oil Production For Week Ended Aug. 28, 1943 Fell Off 22,100 Barrels

The American Petroleum Institute estimates that the daily average gross crude oil production for the week ended Aug. 28, 1943, was 4,196,250 barrels, a decline of 22,100 barrels when compared with the preceding week, and 228,350 barrels less than the daily average figure recommended by the Petroleum Administration for War for the month of August, 1943. The current figure, however, is 231,900 barrels per day in excess of production during the week ended Aug. 29, 1942. Daily output for the four weeks ended Aug. 28, 1943 averaged 4,214,150 barrels. Further details as reported by the Institute follow:

Reports received from refining companies indicate that the industry as a whole ran to stills on a Bureau of Mines basis aproximately 4,227,000 barrels of crude oil daily and produced 12,420,000 barrels of gasoline; 1,434,000 barrels of kerosene; 4,351,000 barrels of distillate fuel oil, and 8,732,000 barrels of residual fuel oil during the week ended Aug. 28, 1943; and had in storage at the end of that week 72,525,000 barrels of gasoline; 10,443,000 barrels of kerosene; 37,928,000 barrels of distillate fuel, and 67,250,000 barrels of residual fuel oils. The above figures apply to the country as a whole, and do not reflect conditions on the East Coast.

DAILY AVERAGE CRUDE OIL PRODUCTION (FIGURES IN BARRELS)

	•P. A. W. Recommendations August	•State Allowables Begin. Aug. 1	Actual Production Week Ended Aug. 28, 1943	Change from Previous Week	4 Weeks Ended Aug. 28, 1943	Week Ended Aug. 29, 1942
Oklahoma	347,000	358,000	†326,200	— 3,050	329,200	379,600
Kansas	300,000	290,000	†297,600	—10,500	297,400	290,050
Nebraska	2,100	------	†1,800	— 100	1,900	3,200
Panhandle Texas			98,000	----	96,050	88,900
North Texas			140,400	----	140,400	136,400
West Texas			258,400	----	258,400	226,800
East Central Texas			129,950	----	129,900	87,150
East Texas			371,000	----	371,000	363,000
Southwest Texas			239,050	----	238,850	200,350
Coastal Texas			474,450	----	474,350	309,750
Total Texas	1,817,000	‡1,817,937	1,711,250	----	1,708,950	1,412,350
North Louisiana			81,900	— 1,450	83,150	97,650
Coastal Louisiana			268,500	----	268,500	240,550
Total Louisiana	356,300	380,300	350,400	— 1,450	351,650	338,200
Arkansas	75,500	80,052	76,350	+ 100	76,400	71,050
Mississippi	50,000		52,200	+ 2,000	51,300	75,550
Illinois	222,800		211,800	+ 4,250	214,400	268,050
Indiana	14,000		14,700	+ 1,400	13,900	16,950
Eastern— Not incl. Ill., Ind. Ky.)	86,500		73,950	— 1,450	75,000	85,600
Kentucky	25,000		22,600	— 700	23,150	10,900
Michigan	60,100		56,950	+ 3,850	56,700	61,800
Wyoming	98,000		96,850	— 5,250	100,300	90,900
Montana	23,300		21,350	— 50	21,400	22,900
Colorado	7,000		7,300	+ 250	7,200	6,550
New Mexico	110,000	110,000	105,050	----	104,500	95,300
Total East of Calif.	3,594,600		3,426,350	—10,700	3,433,350	3,227,950
California	830,000	§830,000	769,900	—11,400	780,800	736,400
Total United States	4,424,600		4,196,250	—22,100	4,214,150	3,964,350

•P.A.W. recommendations and state allowables represent the production of all petroleum liquids, including crude oil, condensate and natural gas derivatives recovered from oil, condensate and gas fields. Past records of production indicate, however, that certain wells may be incapable of producing the allowables granted, or may be limited by pipeline proration. Actual state production would. under such conditions, prove to be less than the allowables. The Bureau of Mines reported the daily average production of natural gasoline and allied products in May, 1943, as follows: Oklahoma, 26,600; Kansas, 5,100; Texas, 107,400; Louisiana, 18,400; Arkansas, 3,800; Illinois, 11,100; Eastern (not including Illinois, Indiana or Kentucky). 7,300; Kentucky, 2,600; Michigan, 100; Wyoming, 2,100; Montana, 300; New Mexico, 5,100; California, 45,300.

†Oklahoma, Kansas, Nebraska figures are for week ended 7 a.m. Aug. 26, 1943.

‡This is the net basic allowable as of Aug. 1 calculated on a 31-day basis and includes shutdowns and exemptions for the entire month. With the exception of several fields which were exempted entirely and of certain other fields for which shutdowns were ordered for from 3 to 15 days, the entire state was ordered shut down for 9 days, no definite dates during the month being specified; operators only being required to shut down as best suits their operating schedules or labor needed to operate leases, a total equivalent to 9 days shut-down time during the calendar month.

§Recommendation of Conservation Committee of California Oil Producers.

CRUDE RUNS TO STILLS; PRODUCTION OF GASOLINE; STOCKS OF FINISHED AND UNFINISHED GASOLINE, GAS OIL AND DISTILLATE FUEL AND RESIDUAL FUEL OIL, WEEK ENDED AUG. 28, 1943

(Figures in Thousands of barrels of 42 Gallons Each)

Figures in this section include reported totals plus an estimate of unreported amounts and are ——therefore on a Bureau of Mines basis——

District—	Daily Refining Capacity		Crude Runs to Stills		§Gasoline Production at Refineries Includ. Natural Blended	‡Stocks Finished and Unfinished Gasoline	‡Stocks of Gas Oil and Distillate Fuels	‡Stocks of Residual Fuel Oil
	Potential Rate	% Reporting	Daily Average	% Operated				
•Combin'd: East Coast, Texas Gulf, Louisiana Gulf, North Louisiana - Arkansas and Inland Texas	2,444	88.7	2,173	88.9	5,898	30,545	16,402	16,576
Appalachian— District No. 1	130	83.9	108	83.1	311	1,202	788	377
District No. 2	47	87.2	57	121.3	170	881	125	160
Ind., Ill., Ky.	824	85.2	741	89.9	2,714	14,158	5,792	3,369
Okla., Kans., Mo.	416	80.1	324	77.9	1,236	6,038	2,108	1,719
Rocky Mountain— District No. 3	8	26.9	8	100.0	30	47	9	29
District No. 4	139	57.7	86	61.9	295	1,271	381	715
California	817	89.9	730	89.4	1,766	18,383	12,323	44,305
Tot. U. S. B. of M. basis Aug. 28, 1943	4,825	86.4	4,227	87.6	12,420	†72,525	37,928	67,250
Tot. U. S. B. of M. basis Aug. 21, 1943	4,825	86.4	4,046	83.9	12,134	72,815	37,464	66,724
U. S. Bur. of Mines basis Aug. 29, 1942			3,705		11,253	79,713	42,618	78,270

*At the request of the Petroleum Administration for War. †Finished, 62,460,000 barrels; unfinished, 10,065,000 barrels. ‡At refineries, at bulk terminals, in transit and in pipe lines. §Not including 1,434,000 barrels of kerosene, 4,351,000 barrels of gas oil and distillate fuel oil and 8,732 barrels of residual fuel oil produced during the week Ang. 28, 1943, which compares with 1,243,000 barrels, 4,137,000 barrels and 8,411 barrels, respectively, in the preceding week and 1,206,000 barrels, 3,850,000 barrels and 6,875,000 barrels, respectively, in the week endd Aug. 29, 1942.

Note—Stocks of kerosene amounted to 10,443,000 barrels at Aug. 28, 1943, against 9,898,000 barrels a week earlier and 12,056,000 barrels a year before.

Trading On New York Exchanges

The Securities and Exchange Commission made public on Sept. 3 figures showing the volume of total round-lot stock sales on the New York Stock Exchange and the New York Curb Exchange and the volume of round-lot stock transactions for the account of all members of these exchanges in the week ended Aug. 21, continuing a series of current figures being published weekly by the Commission. Short sales are shown separately from other sales in these figures.

Trading on the Stock Exchange for the account of members (except odd-lot dealers) during the week ended Aug. 21 (in round-lot transactions) totaled 1,028,110 shares, which amount was 16.33% of the total transactions on the Exchange of 3,148,320 shares. This compares with member trading during the week ended Aug. 14 of 1,056,495 shares, or 17.12% of total trading of 3,086,210 shares. On the New York Curb Exchange, members trading during the week ended Aug. 21 amounted to 206,195 shares, or 14.94% of the total volume of that exchange of 690,180 shares; during the Aug. 14 week trading for the account of Curb members of 202,505 shares was 14.10% of total trading of 717,935.

Total Round-Lot Stock Sales on the New York Stock Exchange and Round-Lot Stock Transactions for Account of Members* (Shares)

WEEK ENDED AUG. 21, 1943

	Total for week	†Per Cent
A. Total Round-Lot Sales:		
Short sales	86,770	
‡Other sales	3,061,550	
Total sales	3,148,320	
B. Round-Lot Transactions for Account of Members, Except for the Odd-Lot Accounts of Odd-Lot Dealers and Specialists:		
1. Transactions of specialists in stocks in which they are registered—		
Total purchases	242,550	
Short sales	43,520	
‡Other sales	231,350	
Total sales	274,870	8.22
2. Other transactions initiated on the floor—		
Total purchases	126,200	
Short sales	16,200	
‡Other sales	143,410	
Total sales	159,610	4.54
3. Other transactions initiated off the floor—		
Total purchases	130,210	
Short sales	6,000	
‡Other sales	88,670	
Total sales	94,670	3.57
4. Total—		
Total purchases	498,960	
Short sales	65,720	
‡Other sales	463,430	
Total sales	529,150	16.33

Total Round-Lot Stock Sales on the New York Curb Exchange and Stock Transactions for Account of Members* (Shares)

WEEK ENDED AUG. 21, 1943

	Total for week	†Per Cent
A. Total Round-Lot Sales:		
Short sales	3,055	
‡Other sales	687,125	
Total sales	690,180	
B. Round-Lot Transactions for the Account of Members:		
1. Transactions of specialists in stocks in which they are registered—		
Total purchases	63,395	
Short sales	1,615	
‡Other sales	59,450	
Total sales	61,065	9.02
2. Other transactions initiated on the floor—		
Total purchases	15,300	
Short sales	1,000	
‡Other sales	11,625	
Total sales	12,625	2.02
3. Other transactions initiated off the floor—		
Total purchases	23,810	
Short sales	0	
‡Other sales	30,000	
Total sales	30,000	3.90
4. Total—		
Total purchases	102,505	
Short sales	2,615	
‡Other sales	101,075	
Total sales	103,690	14.94
C. Odd-Lot Transactions for the Account of Specialists—		
Customers' short sales	33	
§Customers' other sales	34,445	
Total purchases	34,478	
Total sales	25,299	

•The term "members" includes all regular and associate Exchange members, their firms and their partners, including special partners.

†In calculating these percentages the total of members' purchases and sales is compared with twice the total round-lot volume on the Exchange for the reason that the Exchange volume includes only sales.

‡Round-lot short sales which are exempted from restriction by the Commission rules are included with "other sales."

§Sales marked "short exempt" are included with "other sales."

Sproul Of N. Y. Reserve Urges Banks To Invest Temporarily Idle Funds During War Loan Drive

In connection with the Third War Loan drive which opens today (Sept. 9), Allan Sproul, President of the Federal Reserve Bank of New York, has sent a circular to all incorporated banks and trust companies in the Second (New York) Federal Reserve District advising them of the policy that should be followed in investing their temporarily idle funds and also as to loans on Government securities for speculative purchases. Mr. Sproul's letter follows:

"During the Third War Loan drive in September, a substantial amount of the private deposits of commercial banks will be transferred to war loan deposit accounts in payment for Government securities subscribed for by customers. Since there are no reserve requirements with respect to war loan deposit accounts, this transfer will normally result in a decline in the required reserves of the banks having such accounts and an increase in their excess reserves. The increase in excess reserves, however, will be only temporary. Government funds in war loan deposit accounts will be withdrawn by the Treasury in instalments as needed and, although they will be almost immediately returned to the banking system in the form of private deposits through Government disbursements, not all banks will get back the full amount of the funds withdrawn. Furthermore, since reserves are required against private deposits, bank reserve requirements will rise, as this transfer from war loan deposits to private deposits takes place, and excess reserves will diminish.

"In these circumstances, banks are urged to invest their temporarily idle funds in Treasury bills, which are ordinarily the best medium for adjusting for changes of this nature. Banks that have sold bills to the Federal Reserve Banks under option to repurchase can invest their funds by repurchasing these bills. Other purchases of bills can be made by bidding for new issues and by purchasing bills in the market. As excess reserves subsequently decline, banks can sell bills to the Federal Reserve Banks under option.

"In following this policy, banks will not impair their ability to subscribe for the new Treasury securities which will be offered for exclusive subscription by commercial banks for their own account shortly after the close of the Third War Loan drive. Subscriptions of these issues will not affect the level of reserve requirements and need not affect excess reserves at that time. Banks having war loan deposit accounts can pay for all of their purchases of these securities by credits to such accounts.

"The Third War Loan will be a drive to sell Government securities to investors—investors other than commercial banks. It is desirable to eliminate, as far as possible, speculative purchases of securities offered during the drive. Bank loans for speculative purchases of Government securities are not an appropriate part of the Third War Loan drive. Bank loans to investors to help finance the purchase of Government securities, if such loans are made in accord with the joint statement issued by the National and State bank supervisory authorities in November 1942, are an appropriate part of the drive. That statement reads in part as follows:

" 'In connection with Government financing, individual subscribers relying upon anticipated income may wish to augment their subscriptions by temporary borrowings from banks. Such loans will not be subject to criticism but should be on a short term or amortization basis fully repayable within periods not exceeding six months.

"Loans made on any other basis to facilitate the purchase of Government securities during the drive, particularly where there are indications that such purchases may be speculative in character, should be at rates high enough and with a margin of collateral substantial enough to discourage speculators."

Morse To Advise Internat'l Economic Council

Appointment of E. C. Morse, former President of the Chrysler Export Corp. as Economic Advisor to the International Economic Council was recently announced in Washington following a meeting at its new offices in the Bond Building. As advisor to the Council, Mr. Morse brings with him a practical knowledge of world wide economic affairs gained over a period of more than 35 years in foreign trade activity. During that time, as Foreign Sales Manager of the National Cash Register Company, General Sales Manager of the Hudson Motor Car Company, and for 18 years head of Chrysler world operations, Mr. Morse's duties brought him in contact with leaders in governmental and trade circles throughout the world.

Revenue Freight Car Loadings During Week Ended Aug. 28, 1943 Increased 12,810 Cars

Loading of revenue freight for the week ended Aug. 28, 1943 totaled 904,007 cars, the Association of American Railroads announced on Sept. 2. This was an increase above the corresponding week of 1942 of 4,602 cars, or 0.5%, but a decrease below the same week in 1941, of 8,713 cars or 1.0%.

Loading of revenue freight for the week of Aug. 28, increased 12,810 cars, or 1.4% above the preceding week.

Miscellaneous freight loading totaled 398,422 cars, an increase of 8,740 cars above the preceding week, but a decrease of 20,875 cars below the corresponding week in 1942.

Loading of merchandise less than carload lot freight totaled 102,479 cars, an increase of 1,366 cars above the preceding week, and an increase of 11,312 cars above the corresponding week in 1942.

Coal loading amounted to 178,769 cars, an increase of 2,280 cars above the preceding week, and an increase of 10,788 cars above the corresponding week in 1942.

Grain and grain products loading totaled 54,288 cars, a decrease of 1,937 cars below the preceding week, but an increase of 6,821 cars above the corresponding week in 1942. In the Western Districts alone, grain and grain products loading for the week of Aug. 28, totaled 39,061 cars, a decrease of 1,418 cars below the preceding week but an increase of 5,599 cars above the corresponding week in 1942.

Live stock loading amounted to 16,389 cars, an increase of 116 cars above the preceding week, but a decrease of 3 cars below the corresponding week in 1942. In the Western Districts alone, loading of live stock for the week of Aug. 28, totaled 12,370 cars, a decrease of 60 cars below the preceding week, and a decrease of 163 cars below the corresponding week in 1942.

Forest products loading totaled 48,297 cars, an increase of 119 cars above the preceding week but a decrease of 6,390 cars below the corresponding week in 1942.

Ore loading amounted to 90,491 cars, an increase of 1,782 cars above the preceding week and an increase of 1,962 cars above the coresponding week in 1942.

Coke loading amounted to 14,872 cars, an increase of 344 cars above the preceding week, and an increase of 987 cars above the corresponding week in 1942.

All districts reported increases compared with the corresponding week in 1942, except the Southern, Northwestern and Centralwestern but all districts reported decreases compared with 1941 except the Centralwestern & Southwestern.

	1943	1942	1941
5 weeks of January	3,530,849	3,858,479	3,454,409
4 weeks of February	3,055,640	3,122,942	2,866,565
4 weeks of March	3,073,426	3,174,781	3,066,011
4 weeks of April	3,136,253	3,350,996	2,793,630
5 weeks of May	4,149,708	4,170,548	4,160,060
4 weeks of June	3,151,146	3,385,655	3,510,057
5 weeks of July	4,307,406	4,185,135	4,295,457
Week of Aug. 7	872,077	850,221	878,505
Week of Aug. 14	887,165	868,845	890,337
Week of Aug. 21	891,197	869,434	899,788
Week of Aug. 28	904,007	899,405	912,720
Total	27,958,874	28,736,441	27,727,539

The following table is a summary of the freight carloadings for the separate railroads and systems for the week ended Aug. 28, 1943. During this period 55 roads showed increases when compared with the corresponding week last year.

REVENUE FREIGHT LOADED AND RECEIVED FROM CONNECTIONS
(NUMBER OF CARS)—WEEK ENDED AUG. 28

Railroads	Total Revenue Freight Loaded			Total Loads Received from Connections	
	1943	1942	1941	1943	1942
Eastern District—					
Ann Arbor	245	321	597	1,491	1,297
Bangor & Aroostook	844	864	988	373	154
Boston & Maine	6,729	6,494	9,403	14,471	14,037
Chicago, Indianapolis & Louisville	1,354	1,476	1,838	2,389	1,885
Central Indiana	41	21	17	60	71
Central Vermont	1,096	1,097	1,609	2,352	2,614
Delaware & Hudson	6,492	6,234	7,348	11,294	11,458
Delaware, Lackawanna & Western	7,843	7,917	10,403	12,933	9,765
Detroit & Mackinac	209	541	373	109	191
Detroit, Toledo & Ironton	2,035	1,595	2,349	1,279	1,207
Detroit & Toledo Shore Line	327	296	366	2,484	2,627
Erie	13,673	12,277	15,933	19,284	16,099
Grand Trunk Western	3,933	4,755	4,973	8,362	8,666
Lehigh & Hudson River	197	156	174	2,549	3,457
Lehigh & New England	2,159	2,374	2,094	1,741	2,065
Lehigh Valley	9,006	8,765	10,513	14,293	15,541
Maine Central	2,429	2,317	3,542	2,779	2,438
Monongahela	6,275	6,338	6,449	444	391
Montour	2,381	2,387	2,460	365	24
New York Central Lines	56,395	49,346	53,269	57,381	55,029
N. Y., N. H. & Hartford	10,388	10,086	12,266	18,673	19,933
New York, Ontario & Western	1,448	1,091	1,273	2,620	2,363
New York, Chicago & St. Louis	6,956	7,886	7,233	16,805	16,236
N. Y., Susquehanna & Western	685	414	412	2,263	1,184
Pittsburgh & Lake Erie	7,567	7,713	8,992	9,005	8,347
Pere Marquette	5,230	5,575	6,202	7,695	5,855
Pittsburg & Shawmut	998	842	751	32	17
Pittsburg, Shawmut & North	413	384	441	292	336
Pittsburgh & West Virginia	1,139	1,189	1,012	2,644	3,446
Rutland	345	410	606	1,112	1,071
Wabash	5,834	6,457	6,486	12,237	12,529
Wheeling & Lake Erie	6,045	5,885	6,091	4,485	5,047
Total	170,712	163,485	186,463	234,296	225,380
Allegheny District—					
Akron, Canton & Youngstown	730	678	761	1,315	1,223
Baltimore & Ohio	44,705	43,262	44,052	30,372	27,562
Bessemer & Lake Erie	6,783	6,877	7,284	2,021	2,657
Buffalo Creek & Gauley	268	275	312	3	1
Cambria & Indiana	1,851	2,072	1,944	5	19
Central R. R. of New Jersey	7,379	7,704	9,013	21,323	21,050
Cornwall	666	639	675	55	59
Cumberland & Pennsylvania	234	264	296	25	9
Ligonier Valley	125	133	117	47	64
Long Island	2,073	1,176	957	4,136	3,583
Penn-Reading Seashore Lines	2,078	2,199	2,307	3,146	2,522
Pennsylvania System	88,288	87,566	93,898	70,515	67,923
Reading Co.	16,225	15,594	17,278	26,603	28,897
Union (Pittsburgh)	21,312	21,995	19,676	7,777	7,788
Western Maryland	4,361	4,231	4,226	12,019	12,909
Total	197,079	194,670	202,796	179,362	176,269
Pocahontas District—					
Chesapeake & Ohio	30,104	28,575	29,233	14,441	14,051
Norfolk & Western	22,652	23,416	24,869	7,076	6,901
Virginian	4,957	4,542	4,931	2,259	2,121
Total	57,713	56,533	59,033	23,776	23,073
Southern District—					
Alabama, Tennessee & Northern	306	390	450	411	371
Atl. & W. P.—W. R. R. of Ala.	659	767	912	2,659	2,565
Atlanta, Birmingham & Coast	717	705	778	1,191	1,207
Atlantic Coast Line	11,710	12,097	10,796	10,735	9,579
Central of Georgia	3,785	3,828	4,855	4,296	4,280
Charleston & Western Carolina	398	367	435	1,619	1,534
Clinchfield	1,682	1,785	1,824	2,843	2,794
Columbus & Greenville	350	393	336	201	221
Durham & Southern	104	106	203	649	668
Florida East Coast	1,282	838	426	1,461	1,824
Gainesville Midland	50	38	35	80	79
Georgia	1,315	1,489	1,266	3,036	2,690
Georgia & Florida	543	417	345	498	593
Gulf, Mobile & Ohio	4,256	4,428	4,365	4,452	4,843
Illinois Central System	29,152	28,200	27,371	18,681	18,093
Louisville & Nashville	25,447	26,650	26,142	12,516	10,382
Macon, Dublin & Savannah	186	194	214	601	757
Mississippi Central	280	191	232	577	667
Nashville, Chattanooga & St. L.	3,289	3,381	3,400	5,019	4,439
Norfolk Southern	975	1,215	1,461	1,400	1,924
Piedmont Northern	360	341	470	1,183	1,171
Richmond, Fred. & Potomac	443	466	447	9,733	8,196
Seaboard Air Line	10,166	10,446	9,639	8,165	8,522
Southern System	22,914	24,207	25,037	23,784	25,035
Tennessee Central	497	545	580	1,014	910
Winston-Salem Southbound	144	196	148	982	1,088
Total	121,010	123,680	122,167	117,786	114,492
Northwestern District—					
Chicago & North Western	21,512	22,187	23,270	15,064	13,926
Chicago Great Western	2,845	2,554	3,218	3,124	3,377
Chicago, Milw., St. P. & Pac.	22,070	21,919	25,299	11,610	10,512
Chicago, St. Paul, Minn. & Omaha	4,269	4,509	4,587	4,713	4,691
Duluth, Missabe & Iron Range	31,116	31,574	24,858	345	300
Duluth, South Shore & Atlantic	1,587	1,220	1,737	655	1,353
Elgin, Joliet & Eastern	8,532	10,093	11,038	11,305	10,019
Ft. Dodge, Des Moines & South	479	557	679	123	123
Great Northern	26,376	28,816	26,143	6,333	6,218
Green Bay & Western	459	455	680	1,045	885
Lake Superior & Ishpeming	2,968	2,120	3,287	55	52
Minneapolis & St. Louis	2,188	2,238	2,262	2,403	2,374
Minn., St. Paul & S. S. M.	8,306	8,417	8,325	2,829	3,436
Spokane International	12,595	12,644	13,386	6,216	4,820
Northern Pacific	261	243	214	547	806
Spokane, Portland & Seattle	2,816	2,893	2,672	3,882	3,135
Total	148,379	152,439	151,655	70,249	66,027
Central Western District—					
Atch., Top. & Santa Fe System	22,718	23,213	22,380	13,147	12,164
Alton	3,722	3,559	3,485	4,913	4,729
Bingham & Garfield	536	563	669	56	77
Chicago, Burlington & Quincy	20,401	21,373	18,726	12,599	11,706
Chicago & Illinois Midland	2,854	2,614	2,316	1,035	896
Chicago, Rock Island & Pacific	12,503	12,666	14,518	12,759	12,857
Chicago & Eastern Illinois	2,851	2,881	3,163	6,451	4,385
Colorado & Southern	1,017	885	838	1,998	1,835
Denver & Rio Grande Western	5,619	4,459	5,023	6,251	6,020
Denver & Salt Lake	833	776	816	25	25
Fort Worth & Denver City	1,212	1,624	1,181	1,726	2,114
Illinois Terminal	2,003	1,862	2,110	2,002	2,443
Missouri-Illinois	1,083	1,348	1,119	658	368
Nevada Northern	2,134	2,164	2,050	117	118
North Western Pacific	1,160	1,297	1,267	804	812
Peoria & Pekin Union	20	7	15	0	0
Southern Pacific (Pacific)	32,722	33,522	31,243	14,548	10,995
Toledo, Peoria & Western	327	271	335	2,153	1,741
Union Pacific System	16,757	16,750	17,420	17,929	15,772
Utah	576	463	545	6	9
Western Pacific	2,338	2,419	2,072	4,259	3,830
Total	133,386	134,716	131,291	103,436	92,396
Southwestern District—					
Burlington-Rock Island	282	945	286	220	274
Gulf Coast Lines	5,760	4,975	3,675	3,511	2,573
International-Great Northern	2,872	3,334	2,210	3,434	3,087
Kansas, Oklahoma & Gulf	326	366	248	1,210	1,503
Kansas City Southern	6,144	4,802	2,882	2,764	3,211
Louisiana & Arkansas	3,139	4,218	2,524	2,722	2,101
Litchfield & Madison	344	365	395	1,700	1,214
Midland Valley	725	771	834	313	176
Missouri & Arkansas	151	208	166	401	543
Missouri-Kansas-Texas Lines	5,811	5,764	4,507	5,535	5,077
Missouri Pacific	18,508	18,574	16,922	20,589	21,070
Quanah Acme & Pacific	130	82	109	356	225
St. Louis-San Francisco	9,227	9,717	9,218	9,402	8,676
St. Louis Southwestern	2,737	2,961	2,646	6,952	6,198
Texas & New Orleans	13,583	12,016	8,389	5,633	4,678
Texas & Pacific	5,891	4,648	4,165	6,441	7,750
Wichita Falls & Southern	83	118	118	34	25
Weatherford M. W. & N. W.	15	18	21	17	25
Total	75,728	73,882	59,315	71,234	68,406

Note—Previous year's figures revised.

Weekly Statistics Of Paperboard Industry

We give herewith latest figures received by us from the National Paperboard Association, Chicago, Ill., in relation to activity in the paperboard industry.

The members of this Association represent 83% of the total industry, and its program includes a statement each week from each member of the orders and production, and also a figure which indicates the activity of the mill based on the time operated. These figures are advanced to equal 100%, so that they represent the total industry.

STATISTICAL REPORTS—ORDERS, PRODUCTION, MILL ACTIVITY

Period 1943—Week Ended	Orders Received Tons	Production Tons	Unfilled Orders Remaining Tons	Percent of Activity	
				Current	Cumulative
Jun. 5	168,051	141,337	565,291	92	93
Jun. 12	172,437	149,675	586,183	97	93
Jun. 19	136,166	142,865	561,945	95	93
Jun. 26	133,803	145,324	547,301	96	93
July 3	179,835	144,232	580,683	92	93
July 10	111,912	100,115	573,342	69	93
July 17	151,993	140,803	587,181	91	93
July 24	136,881	148,852	572,786	97	93
July 31	153,646	150,337	571,705	97	93
Aug. 7	177,541	146,515	600,338	94	93
Aug. 14	143,629	154,747	586,901	98	93
Aug. 21	133,446	150,012	568,361	95	93
Ang. 28	148,381	147,494	570,859	96	93

Notes—Unfilled orders of the prior week, plus orders received, less production, do not necessarily equal the unfilled orders at the close. Compensation for delinquent reports, orders made for or filled from stock, and other items made necessary adjustments of unfilled orders.

NYSE Odd-Lot Trading

The Securities and Exchange Commission made public on Sept. 3 a summary for the week ended Aug. 28 of complete figures showing the daily volume of stock transactions for the odd-lot account of all odd-lot dealers and specialists who handled odd lots on the New York Stock Exchange, continuing a series of current figures being published by the Commission. The figures are based upon reports filed with the Commission by the odd-lot dealers and specialists.

STOCK TRANSACTIONS FOR THE ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON THE N. Y. STOCK EXCHANGE

Week Ended Aug. 28, 1943

Odd-Lot Sales by Dealers: (Customers' purchases)	Total for Week
Number of Orders	12,490
Number of shares	341,729
Dollar Value	12,807,164
Odd-Lot Purchases by Dealers— (Customers' Sales)	
Number of Orders:	
Customers' short sales	258
*Customers' other sales	12,721
Customers' total sales	12,979
Number of Shares:	
Customers' short sales	7,850
*Customers' other sales	310,614
Customers' total sales	318,464
Dollar Value	10,778,842
Round-lot Sales by Dealers—	
Number of Shares:	
Short sales	30
†Other sales	76,650
Total sales	76,680
Round-Lot Purchases by Dealers—	
Number of Shares	109,280

*Sales marked "short exempt" are reported with "other sales." †Sales to offset customers' odd-lot orders, and sales to liquidate a long position which is less than a round lot are reported with "other sales."

Lumber Movement—Week Ended August 28, 1943

According to the National Lumber Manufacturers Association, lumber shipments of 463 mills reporting to the National Lumber Trade Barometer were 2.3% below production for the week ended Aug. 28, 1943. In the same week new orders of these mills were 0.1% less than production. Unfilled order files in the reporting mills amounted to 107% of stocks. For reporting softwood mills, unfilled orders are equivalent to 41 days' production at the current rate, and gross stocks are equivalent to 36 days' production.

For the year to date, shipments of reporting identical mills exceeded production by 8.9%; orders by 11.3%.

Compared to the average corresponding week of 1935-39 production of reporting mills was 18.1% greater; shipments were 20.9% greater, and orders were 26.2% greater.

Nat'l Chamber To Study Utilization Of Surpluses

Formation of a group to study the post-war problem of utilization of war plants and disposition of surplus property was announced on Aug. 28 by the U. S. Chamber of Commerce. According to advices to the New York "Herald Tribune" from its Washington bureau, 27 representatives of varied lines of industry have accepted invitations of Eric A. Johnston, President of the Chamber, to participate in the work of the committee. The chairman is Albert C. Mattei, a Vice-President of the Chamber and President of the Honolulu Oil Corp., San Francisco.

The first meeting of the group, known as the special committee on utilization of war plants and surplus property, will be held in Washington on Sept. 9 and 10, at which time a preliminary survey of the scope and extent of the problem will be made.

Items About Banks, Trust Companies

The Federal Reserve Bank of New York announced on Sept. 3 that the Lockport Exchange Trust Co., Lockport, N. Y., and the United States Trust Co., Paterson, N. J., had become members of the Federal Reserve System. The Lockport bank has assets in excess of $10,000,000, while the Paterson institution's assets are above $27,000,000.

Elliott V. Bell, New York State Superintendent of Banks, announces that checks aggregating $25,920 are being mailed as dividends to 4,245 depositors and creditors of the closed Times Square Trust Co. of New York City. The New York "Herald Tribune," reporting this, said: The payment represents a final liquidating dividend of 3% to claimants who previously have received 100% of claims in eleven payments totaling $870,520. About $44,000 in dividends remain unclaimed. The bank was closed Aug. 5, 1931.

Manuel Rionda, President and Director of the Czarnikow-Rionda Co., New York, importers of Cuban sugar, died on Sept. 2 at his home in Alpine, N. J. He was about 80 years old. Mr. Rionda also was President and Director of the Manati Sugar Co., the Riovista Corp., the Riovista Land Corp. and the Tuinucu Sugar Co.

The Metamora State Bank, Metamora, Ill., a State member bank of the Federal Reserve System, has converted into a National bank under the title Metamora National Bank.

Harold R. Bailey, Manager of Bond Sales for the Bond Department of the Commerce Trust Co. of Kansas City, Mo. for the past 22 years, died on September 1. Mr. Bailey who had a wide acquaintance among the bond fraternity in the country was 52 years old. He became associated with Trust Company's bond department in 1921. Mr. Bailey was active in IBA circles. He was Chairman of the Southwestern Group of the IBA for a number of years; also Secretary to the Board of this group. He suffered a stroke on January 1 which kept him from active duty; a second stroke on September 1 proved fatal.

At the request of the Treasury Department of the United States Government, The Louisville Trust Company of Louisville, Kentucky, has accepted designation as a depositary and financial agent of the Government, and under such designation will provide banking facilities at Bowman Field for the duration of the emergency, it is announced by Earl B. Muir, President of the trust company, who states:

"Col. George P. Johnson, Commandant of the Base, sometime ago recognized the need of banking facilities at the Base, and requested that such facilities be provided.

"Banking quarters have already been provided and equipped and operations of the facility will begin on Wednesday, September 1."

J. G. Burrus, for the last three years discount teller at the trust company, will be manager of the Bowman Field banking quarters, which as explained by Arthur R. Furnish, Vice-President of the Trust Co. do not constitute a branch of The Louisville Trust Company—it is a banking facility which is being afforded the officers, enlisted men and other personnel of the Field.

The deposits of the Louisville Trust have advanced from $6,878,150 on Dec. 31, 1932, to $48,332,932 on June 30, 1943.

The Citizens Bank of Hattiesburg, Hattiesburg, Miss., has been admitted to membership in the Federal Reserve System.

The American Trust Co., San Francisco, has acquired the First National Bank of Stockton (Calif.), it was announced jointly by James K. Lochead, President of American Trust, and Percy Cleghorn, President of First National. The Stockton bank has assets of $12,000,000. Gerald Kennedy, an official of American Trust for 20 years, will be resident Vice-President; J. L. Watters, Manager of the American Trust branch in Stockton, will be manager of the institution.

Robert Burns Motherwell II, President of the Wells Fargo Bank and Union Trust Co., San Francisco, died Aug. 29 at the Franklin Hospital, San Francisco. Mr. Motherwell joined the Wells Fargo institution as Vice-President in 1927, becoming President in 1935, succeeding F. L. Lipman, who then became Chairman of the Board. For a number of years prior to that Mr. Motherwell had been connected with the Federal Reserve Bank of San Francisco and with its branches in Salt Lake City and Los Angeles.

NYC Executives Pledge Support To War Loan

Chief executives of commercial, industrial and professional organizations of New York City, approximating 30,000 firms, have pledged enthusiastic cooperation in making the forthcoming Third War Loan drive an unprecedented success, William E. Cotter, Director of the Commerce & Industry Division of the State War Finance Committee, announced on Aug. 26.

Mr. Cotter, who is counsel for the Union Carbide & Carbon Corp., said his division had been formed specifically to map the part business is to play in the September drive. The division will be comprised of ten major sections of related business groups under the chairmanship of business leaders. It will not engage in direct solicitation or sale of bonds, but, he said, "will be responsible for seeing that the Third War Loan and all that it implies is 'sold' to business and management right through the ranks." A series of organizational meetings were held this week at the committee's War Center on 50th Street, off Sixth Avenue, when outstanding figures in civic and professional affairs discussed the objectives in the biggest bond sales campaign in the nation's history. Objectives in mind, Mr. Cotter said, are three fold:

To obtain the largest possible corporate subscriptions;

To encourage extra $100 bond purchases during the drive and increase the present volume of employee bond-buying on the Payroll Savings plan;

To stimulate substantial subscriptions by salaried executives.

Treasury To Borrow $21 Billion More

Under-Secretary of the Treasury Daniel W. Bell revealed on Aug. 29 that the Treasury intends to borrow $21,000,000,000 during the last four months of this year.

Mr. Bell reported that Government expenditures will total $35,000,000,000 while revenues in the four-month period will total only $14.000.000.000.

The Third War Loan drive for $15,000,000,000 is expected to take care of most of the deficit, with direct borrowing from commercial banks and sales of war bonds in the latter months making up the remainder.

McNutt Says 2,600,000 Must Change To War Jobs Before July, 1944

Between now and July, 1944, a rock-bottom minimum of 2,600,000 persons must transfer from less essential jobs to munitions production or to jobs in the great number of community services that are essential to the health, transportation and other vital accessories of civilian life," according to a statement issued Aug. 23 by Paul V. McNutt, Chairman of the War Manpower Commission.

"It is easy to see," Mr. McNutt said, "why such large scale transfers must take place. The military services plan to expand from 9,300,000 to 11,300,000 between July, 1943, and July, 1944. These men and women will be drawn from war-useful jobs as well as from other occupations." He added:

"At the same time, as our commitments on the battle fronts multiply, the war industries are required to meet rising schedules of production. They must replace the men drawn into war service, replace those they lose from accidents, normal deaths, retirements and other kinds of turnover, and add enough skilled workers to assure that production schedules are met within specified periods."

He said that 2,100,000 are needed before the end of this year, and appealed for persons in doubt about the war-usefulness of their jobs to consult local offices of the United States Employment Service.

Mr. McNutt urged, however, that workers not transfer from one war-useful job to another unless the switch involves greater use of their talents.

Schram Views Capital Markets Entering Upon Period Of Great Usefulness

The belief "that our capital markets are about to enter upon a period of great usefulness," was expressed on Sept. 1 by Emil Schram, President of the New York Stock Exchange, in addressing the 26th convention of the National Association of Securities Commissioners at Cincinnati. Mr. Schram added that "we must see to it that these markets are kept clean as well as efficient." "To the extent that their capacity to serve the public may be restricted by defects in the regulatory laws," he said, "we will not hesitate to ask for appropriate amendment, justified only by considerations of public welfare." His confidence that the Government will take a realistic view of post-war problems was also indicated by Mr. Schram as he predicted that "our economy will flourish as never before." Since Mr. Schram's remarks in Cincinnati were extemporaneous, and hence, not available in official form, his views as above are taken from the Cincinnati account to the New York "Herald Tribune," from which we also quote:

"If our system of free enterprise operates in a healthful atmosphere, the capital markets themselves will have little to worry about. Reasonable regulation will present no problem. On the other hand, these markets will have little excuse for existence, no matter how free and untrammeled they may be, if our enterprise system loses its capacity to serve society.

"Restrictions on the creative genius and productive powers of the American business man and industrialists are infinitely more dangerous to our American way of life and much more likely to cause anemic markets than any other type of regulation.

"War-time co-operation and mutual respect between government and industry may be born of necessity, but we must see to it that it lasts over into the peace period.

"Business has a chance to sell itself to government. Government should take advantage of the opportunity to sell itself to business. Washington has learned at first hand the problems of business in undertaking the gigantic production for war.

"It is no mere coincidence that the securities markets in the United States and Great Britain are the only such markets in the world operating with anything like a normal degree of freedom. Free markets are an integral part of the democratic system. Markets in the United States and in Great Britain are permitted to reflect the progress of the war; they express from day to day the acutely sensitive appraisal by investors of all factors and developments affecting our economy. There is no censorship of our markets and none is needed."

"Mr. Schram said he favored a constructive tax policy that would remove existing deterrents to common-stock financing. If private investors do not provide risk capital, the Government might do so, leading toward Socialism, he said. As to post-war foreign trade, he said: 'If we would sell, we must also buy.' He visualized the formation of foreign corporations by American investment bankers and the listing of their securities on the New York Exchange. 'It may mean the New York Stock Exchange list in the future will look more like the London list,' he said.

"It is the function of our capital markets to facilitate the gathering and servicing of the risk capital necessary to rebuild a world in which abundance shall be counted a blessing, scarcity a curse, stagnation a sin, and industry a virtue," he concluded.

Financial Community Sets Bond Drive Pace

Carrying on the tradition of the First World War, the financial community is again setting the pace in raising the funds needed for the war effort. "During the Third War Loan Drive, starting Sept. 9, it is important that full right-of-way and complete effort be given to this vital government business," state Eugene R. Black, Director of the Banking and Investment Division of the War Finance Committee for New York State. In helping to meet New York City's quota of $4,168,000,000 the Banking and Investment Division will tap the funds of the nation's financial center. Its volunteer sales force will solicit subscriptions ranging from $25 Savings Bonds to corporate orders running into the high millions. This huge fund-raising organization operates through 15 teams, representing 70 banks and about 450 investment dealers and stock exchange member firms. In addition, there will be a team representing 132 savings banks in the state and another team representing 24 savings and loan associations in Manhattan and the Bronx.

Although the commercial banks are not permitted to purchase the bonds offered during the Third War Loan drive, the officers and employees of the city's banks have a major role in the activities of the Banking and Investment Division. Working with them will be representatives of investment banking firms and brokers. The various teams will conduct an intensive canvass of the depositors and employees of the commercial banks and the clients and employees of the stock exchange firms and investment dealers. A volunteer sales force of more than 7,000 is prepared to take the field for the seventeen bank teams at the opening gun on Sept. 9. Although the emphasis, as in other divisions, will be on reaching the wage and salary buyers, it is recognized that large corporate supscriptions will be needed to meet the national quota of $15,000,000,000.

To Open Talks On Brazilian Debt Service

The Foreign Bondholders Protective Council, Inc., announced on Sept. 3 that negotiations concerning a proposed plan of service for the external dollar bonds of Brazil will soon be brought under way in Rio de Janeiro. Representing the Council in the discussions will be Robert E. McCormick, a partner of Alexander & Green, New York, assisted by Lee Orton, Treasurer of the U. S. Guaranty Co., New York.

Regarding the status of Brazilian bonds, the Council's announcement said:

"There are 31 issues of dollar bonds of Brazil--Federal, State and municipal—outstanding in an amount totaling approximately $304,000,000 upon which annual contractual interest is roughly $20,000,000, and upon which the past due and unpaid interest totals slightly more than $70,000,000.

"Defaults on most issues of Brazilian dollar bonds occurred in 1931. Federal bonds of Brazil were served under the 1931 Funding Plan which covered the period from default to and including Oct. 15, 1934, such holders being offered 20 year 5% funding bonds for the full face amount of those coupons. Under the Aranha Plan of 1934, holders of Federal, State and municipal bonds were offered over a four year period reduced cash interest payments which, during the last year of that plan, amounted to 47% of contract interest. However, default under that plan occurred on some issues in October, 1937, about six months before its termination. After a two and a half year period, announcement was made of Decree-Law No. 2085 of 1940, under which bondholders were offered another four year plan of further reduced cash interest payments, which during the last year of that plan amount to about 24% of the contract rates."

Patriotic Rally Celebrates Treasury Dept's 154th Year

The 154th anniversary of the founding of the U. S. Treasury Department was celebrated on Sept. 2 on the steps of the Sub-Treasury in Wall Street by a patriotic rally of some 7,000 persons under the auspices of the Third War Loan and the American Women's Voluntary Services. Walter H. Johnson, Jr., Director of the Community Sales Division of the War Finance Committee for New York State, presented a special "Citation of Service" to Mrs. Irving B. Levine as representative of the accomplishments of the AWVS War Savings Division of Manhattan. More than 500 uniformed members of the AWVS were assembled on the Sub-Treasury steps for the presentation.

Mrs. Cortlandt D. Barnes, Down-State Vice-Chairman of the New York War Finance Committee unveiled the new Third War Loan poster, "Back the Attack." An appeal for additional volunteers was made by Mrs. George Baker and Mrs. Harold Talbor, co-chairmen of the AWVS.